CHILD CARE NEEDS OF LOW-INCOME FAMILIES

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

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CHILD CARE NEEDS OF LOW-INCOME FAMILIES

THURSDAY, JUNE 9, 1988

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 1 p.m., in room B-318, Rayburn House Office Building, Hon. Thomas J. Downey (acting chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE
FRIDAY, MAY 20, 1988

PR #16
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

THE HONORABLE THOMAS J. DOWNEY (D., N.Y.), ACTING CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A HEARING ON THE CHILD CARE NEEDS OF LOW-INCOME FAMILIES

The Honorable Thomas J. Downey (D., N.Y.), Acting Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, U.S. House of Representatives, today announced that on Thursday, June 9, 1988, the Subcommittee will hold a hearing on the child care needs of low-income families. The hearing will be held in room B-318 Rayburn House Office Building and will begin at 10:00 a.m.

In announcing the hearing, Chairman Downey said, "Child care is a staggering expense for American families and overwhelms the budget of our poorest citizens. The welfare reform bill passed by the House takes important steps toward meeting the child care needs of those families who are receiving Aid to Families with Dependent Children. It does not, however, do all that needs to be done. This hearing will give us a chance to review the current sources of funding for child care and consider how to best meet the child care needs of working families, especially those who are poor."

Background

The current Federal child care system is a patchwork of programs that have evolved over a number of years. There are two sources of funding for child care services within the jurisdiction of the Subcommittee.

The social services block grant (SSBG) program, authorized by title XX of the Social Security Act, is the largest single Federal source of direct funding for child day care. In fiscal year 1986, 52 of the 54 jurisdictions that receive these funds identified child day care as one of the services provided with title XX funds. Most States use a sliding-scale formula to determine the family's payment level.

A second source of child care funding is the Aid to Families with Dependent Children (AFDC) program, the nation's basic cash welfare program for children. The AFDC program reimburses welfare recipients for work-related child care. Currently, recipients receive up to $160 per month per child. H.R. 1720, the House-passed welfare reform bill, would increase the monthly reimbursement and would subsidize the child care expenses of working families for at least 12 months after they leave welfare.

Individuals and organizations interested in presenting oral testimony before the Subcommittee are asked to discuss the following issues:

- o To what extent is the demand for child care increasing?
- o How well are current Federal programs responding to that demand? Is affordable quality child care available to poor families?
- o How do States and localities set priorities in the provision of government subsidized child care? How are the AFDC and SSBG child care funds coordinated? How are fee schedules established?

- o Is additional Federal legislation needed to meet the child care needs of families, particularly those that are poor? Should existing programs be modified? If so, how?

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD:

Individuals and organizations interested in presenting oral testimony before the Subcommittee must submit their requests to be heard by telephone to Harriett Lawler or Diane Kirkland [(202) 225-1721] no later than close of business, Thursday, June 2, 1988. The telephone request must be followed by a formal written request to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The Subcommittee staff will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee [(202) 225-1025].

It is urged that persons and organizations having a common position make every effort to designate one spokesperson to represent them in order for the Subcommittee to hear as many points of view as possible. Time for oral presentations will be strictly limited with the understanding that a more detailed statement may be included in the printed record of the hearing. This process will afford more time for Members to question witnesses. In addition, witnesses may be grouped as panelists with strict time limitations for each panelist.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 75 copies of their prepared statements to the Subcommittee office, B-317 Rayburn House Office Building, at least 24 hours in advance of their scheduled appearance. Failure to comply with this requirement may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Persons wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statements by the close of business, Thursday, June 23, 1988, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and interested public, they may deliver 75 additional copies for this purpose to room B-317 Rayburn House Office Building on the date of the hearing.

SEE FORMATTING REQUIREMENTS BELOW:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. **All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.**
2. **Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.**
3. **Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.**
4. **A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.**

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and public during the course of a public hearing, may be submitted in other forms.

Acting Chairman DOWNEY. The subcommittee will come to order.

Times have changed for American children. No longer does the stereotypical American family include a working father and a mom who stays home to care for the kids. Mom has gone to work.

Last year, 60 percent of all children under the age of 18 had a working mother. More than half of all children under the age of 6 had a mother in the labor force. Where these children go when mother is working is of concern to all of us.

For children under the age of 5, parents have three basic options. Nearly 40 percent of these children are in some form of family day care, spending the day in the home of someone else, cared for by a family day care provider or, less often, a relative. Roughly 31 percent of these children are cared for in their own home by a relative. Organized child care facilities look after about 23 percent of all children. For older children, almost 14 million of them, the local school is the main day care center. However, a troubling 2.1 million of these children regularly spend time after school with no adult supervision.

These working families are paying billions, roughly $11 billion a year, for their child care. According to the Census Bureau, 5.3 million families paying cash for child care services averaged $38 per week per child. Nearly 30 percent of these families pay $50 or more per week. The burden on single-parent families is especially large.

Only 11 percent of America's employers provide some help to workers who need child care. The Federal Government has become an important source of child care subsidies. Annually, the dependent care tax credit subsidizes over $3 billion in taxpayer's child care expenses. For poor families, the AFDC program and the social services block grant are other important sources. Head Start, the community services block grant, JTPA, and Federal nutrition programs also provide some limited help.

The demand for and the cost of child care grows larger each year despite our current Federal commitments. Our goal in these hearings is to learn about what is being done with current resources and how best to target any additional child care funds to those who need the help the most. We also want to consider how to assure that children in child care are in safe and healthy environments. This is a tall order and one that can be, and I am sure is, controversial. But these are our children, and we can either pay now or pay later.

Mr. Pease is the only other member of the subcommittee present at the moment. Do you have anything to say, Don?

Mr. PEASE. Mr. Chairman, I think you have done an excellent job.

Acting Chairman DOWNEY. Thank you, Don.

As is the custom of the committee, we have three Members of Congress, none of whom are here, as it is normally their custom to be late for things that are reasonably begun on time. Is Phil Johnston here?

He is upstairs. Well, we will skip down to those of you who have thoughtfully come here on time and begin the process of taking your testimony first. For the first panel, we will hear from the Children's Defense Fund, Helen Blank, the director, child care division; from the National Child Care Association, Mark Rosenberg, member of the board of directors—are any of you here? You are here. Good. And the National Center for Clinical Infant Programs, Peggy Pizzo, the senior program associate; and Roberta Barnes, the senior research associate of the Urban Institute.

Helen, will you begin please?

STATEMENT OF HELEN BLANK, DIRECTOR, CHILD CARE DIVISION, CHILDREN'S DEFENSE FUND

Ms. Blank. We are delighted to be here, and we would like to thank the subcommittee for the work it has done in child care for the past year. We believe that the improvements made in the IVA disregard and the kind of support that you have begun to provide mothers who are moving off welfare and are on welfare to help obtain decent child care is a good start. At CDF, obviously, we always want more, but we were very pleased to see the attention and the importance that child care received when you were working on welfare reform.

I would like to have my whole testimony inserted in the record.

Acting Chairman Downey. Without objection, it is so ordered.

Ms. Blank. We at CDF believe that this country has got to move ahead and do something about the kinds of child care choices that parents have. We, as many others, support mothers staying home with their children if they can, and we believe that every mother should have the right to do so. We do see many mothers working. Fifty-four percent of mothers of children under 6 are in the labor force. By 1995 two-thirds of our preschool children and nearly four out of five school age children will have a mother in the work force.

Not one tax credit proposal that has been suggested to this Congress would provide low or moderate income mothers with the income supplements or the health care that they need to stay home. While Congress is free and should look at these proposals on their merit, they are not child care proposals.

We stand behind almost every European country who do have children's allowances for families whether they work or not, but who also have sound child care policies, good health insurance policies, and strong housing policies. If we look at why women are working, they are working to put food on the table. They are working to pay their housing. They are working out of economic necessity. Two-thirds of women who work are single, married, widowed, divorced or separated or have husbands who earn less than $15,000 a year.

Families are making untenable choices in order to work, and we do not think that our children should suffer because we refuse to be honest about the kind of child care system that we ought to have. There were 47 children in Illinois who were very lucky last April. Their day care facility was shut down before anything could happen. These 47 children were being cared for in the basement by a single caregiver. Half of these children were under the age of 2.

Many people say, "Poor people prefer informal child care arrangements." You will hear later that upper income families choose child care centers, not poor families. These families outside Chicago were paying $25 a week for their child care. The average cost of child care in that area was $75 a week. I do not think they wanted their children in a basement all day long with one caregiver. But I do not think that they had the money to purchase other child care.

Dollars have a lot to do with what parents can afford. We are seeing an increasing number of tragedies because parents cannot make choices. Last October, in Washington, we read about Sandra James' 6-year-old son Jermaine who was left alone when she had to go to work without child care with a 6-year-old friend. They died because a fire broke out, and Jermaine's 8-year-old sister, who was looking after them, ran to get help and locked the door behind her. We are seeing an increasing number of children die in unregulated day care.

When Eric Michael Brooks' parents testified before the Senate Subcommittee on Children this March, they cried out for national child care standards which included standards on training to help caregivers cope with stress. Their 1-year-old son Eric died from a cerebral hemorrhage after his babysitter slammed his head on the floor when diapering him.

Our first priority is the safety of our children, and we believe that any Federal child care initiative must have strong national standards, because States do not adequately protect children. We believe that we need new Federal funds to help families pay for care, but we believe that that care must be good care.

In too many States in this country, one caregiver can care for 20 4-year-olds. Imagine what you would do as a parent if you had to take 20 4-year-olds to a playground. I have a 15-year-old and a 12-year-old now, but I remember taking two 3-year-olds and an infant to the playground. That was about all I could handle.

In too many States, one caregiver is responsible for more than five infants. In almost 30 States in this country, a parent does not have the right to visit a child's program at any time unannounced. Parents are important sources of support to child care programs and can provide help in monitoring those programs. They have to be able to have access to these programs. But it is key that parents cannot be the only monitors of child care programs, and we need to improve the enforcement of standards.

Child care is a serious problem for poor families. There are 2.7 million children in this country who are poor, even though their mother works full time. While welfare reform measures will help families receive AFDC, as these parents move off welfare, they are still poor. A year of transitional child care is not adequate. If families do not get continued child care assistance, they are forced to bounce their children from place to place, or, worse yet, quit their jobs and return to dependency.

It is key that we provide child care to working parents on a sliding scale so they receive diminishing help as their incomes go up, and do not have to move their children from program to program.

The inability to find decent child care is a serious problem for all of our families because this country has refused to be honest about the resources that we must invest in child care. There are an increasing number of studies which reveal that parents are less productive on the job and more stressed because they are worried about their child care arrangements.

Many families have trouble finding good child care. Some economists may tell you that the supply is not a problem because parents eventually find child care. The real issue is what they are finding. We know there is an infant care crisis. We have seen 108 percent increase in the number of children under age 1 with working mothers since the 1970's, and the care is simply not there. It is more expensive because you must have more caregivers. A resource and referral program in Maryland reported to CDF that they had to give 118 references to one parent before she could find infant care.

There are more programs for 3- and 4-year-olds, but parents are packaging the day for these children; moving them from a preschool program to a family day car provider, yet to another provider. Studies show that some parents have two to three arrangements within a single day. That is not good for young children.

School age child care is an absolute crisis. The Census Bureau says only about 2 million children are left home alone after school. That 2 million is too many. But when children are interviewed and the percentages, are much higher because parents are hesitant to admit that they leave their children alone.

Title XX is the only source of direct support to help families pay for child care. Head Start is not a full-day program. The child care food program only provides meals for the children dependent care tax credit, while costing nearly $4 billion, does not help poor families because it is not refundable. It does not help make child care better and it does not increase the supply. It is important for this committee to consider making the dependent care tax credit refundable because it is not equitable that poor families cannot use it. However, low-income families with no tax liability cannot take advantage of the credit. However, a refundable tax credit is only a limited policy strategy. If a parent earns $9,000 or $10,000 a year, they can only take so much out of pocket to pay for child care. They need direct help in meeting your child care needs.

Some scholars have actually suggested eliminating tax credits completely because they do not give low or moderate income families enough assistance. We would not suggest that approach. They are an important source of help for moderate income families. But they by themselves are not a child care policy.

When we looked at title XX's child care spending in 1987, we found 28 States when inflation was factored in who were spending less for child care in 1987 than in 1981. Twenty-three States were serving fewer children.

Some States have moved ahead. California spends $300 million for child care, more than the amount reserved for child care services in the Hatch-Johnston child care. Yet, California serves 7 percent of eligible children. States such as Florida which served 90 percent more children than in 1981, have 30,000 children on a waiting list. Georgia, which have moved little since 1981, serves 1 out of 13 eligible children. It has been forced to choose between cutting the number of children served and lowering caregiver wages and reducing standards.

States cannot do it by themselves. Employers are playing a role in child care. It is not a role, if this committee is interested in poor families, that will help poor families. Employers say that themselves. They do not pay for the cost of care. They may deduct a family's child care costs from their wages through the dependent care assistance plan. You have to earn about $25,000 or more to benefit from this approach.

Onsite child care is a wonderful idea, but if you are a low-paid employee, that center might as well be in Siberia because employers do not pay the cost of onsite child care.

We did a survey of hospitals' onsite child care last summer. There are about 500 hospitals which provide the bulk of onsite child care because they cannot recruit nurses. One hundred twenty-nine providers responded to us. They were serving approximately 12,000 children. Their waiting list contained almost 8,000 children, and they were turning away two out of three babies.

Some will say waiting lists are not reflective of the need for parents to find care. I think the issue is what care parents find. They are on waiting lists because they see a quality program, and many of them do not find quality programs.

We do not think we can wait to address child care. We think there is a comprehensive solution that Congress can consider and can pass. It is the Better Child Care Services Act. This is a bill that now has the support of more than a third of the House and a third of the Senate. It is a bill that was put together through a 2-year process, bringing together parents, child care providers, administrators of programs, and advocates from almost every State in the country. People sat in a room, and they reached consensus on the kind of support the Federal Government must provide to help families.

It is not a bill that puts all children in institutional child care settings. It is a bill built on parental choice. We think it is key that parents should be able to choose small family day care settings or child care centers. It is not a bill that only helps the middle class. It is a bill that is targeted on low-income families. It is a bill that will create an infrastructure to help build a sensible child care system. It is a bill which strengthens States current child care policies. It helps to creates systems so families have a place to go to find care. It creates significant new funds to help families pay for child care, which is absolutely essential. And equally important to helping families pay for care, it creates minimum Federal standards. And we hope that you will look closely at this initiative.

Thank you.

[The statement of Ms. Blank follows:]

Helen Blank, Director, Child Care Division, Children's Defense Fund, 122 C Street, NW, Washington, DC 20001, (202) 628-8787

The Children's Defense Fund appreciates the opportunity to testify to the Public Assistance Subcommittee of the Committee on Ways and Means.

The Children's Defense Fund (CDF) is a privately funded public charity dedicated to providing a strong and effective voice for children, especially poor and minority children and their families. We believe that parents, churches, business, nonprofit groups, and every level of government must work together to prepare America's children for the challenges and opportunities facing our nation now and in the future.

We believe that every mother should have the choice to stay at home with her young children. However, our society does not currently support parenting at home nor help parents when they must go out to work. An essential component of this country's public policies should be adequate income support, children's allowances for families and parental leave policies which allow parents the job security and income support that they need to remain home during the critical early months after childbirth as well as sound child care policies. However, we are gravely concerned about the safety of our children whose mothers are working and do not believe that we can wait one minute longer as a nation to put in place policies and resources to protect these children.

CDF as others watches the shockingly growing list of tragedies that are occurring as a result of our fragile child care system and the lack of adequate support to parents who are working. Our first reason to move ahead immediately to address child care in this Congress must be the safety of our children.

Jessica McClure was fortunate to have survived her fall into an uncapped well last October. She was being cared for by her aunt who operated an unregulated family day care home that enrolled nine children, more than the state of Texas allowed. Too many other children are not as fortunate as Jessica.

- On October 12, 1987 every working parent's nightmare became a reality for Sandra James. Because she and her husband needed two jobs to support their family, she was working part time as a housekeeper at a local hotel. Affordable child care for her children was impossible to find: in her community an estimated 5,000 young children were competing for 453 available, day care slots. With no better child care option available Mrs. James left Jermaine, her six-year-old son, and his six-year-old friend, Amanda Crossin in the care of her eight-year-old daughter, Tina. When a fire broke out in their apartment, Tina ran for help, inadvertently locking the two younger children in an apartment engulfed in flames. Before firefighters could rescue them, Jermaine and Amanda died.

- On March 12, 1986, Eric Michael Brooks died just two weeks before his first birthday in Omaha, Nebraska -- from a skull fracture and brain hemorrhage he suffered when his baby sitter slammed the toddler's head on the floor while trying to change his diaper. Debra Brooks and her husband Michael have been working for better protections for children in child care since that day.

- In December, 1986, Fanny age two and Asif Khan, age four were killed and six children were injured when a fire broke out in an unlicensed family day care home in Brooklyn. Their family day care provider was caring for too many infants and toddlers to get all the children to safety.

- Ten-month-old Ashley Snead died of poisoning last July in Fairfax, Virginia from a prescription drug while in the care of a family day care provider who had been convicted of neglecting her own two children in 1968.

- Tiffany Baptiste and another toddler died after a fire broke out in an unregulated family day care home. Tiffany was one of nine toddlers trapped in the basement.

America's children are vulnerable because our nation has failed to come to grips with today's realities. Most mothers of young children have joined the labor force, a massive demographic shift that has made decent child care a necessity for families from every income group. Our current patchwork child care system is strained beyond capacity. It cannot meet the growing demand, forcing many families--especially low and moderate-income families--to leave their children in inadequate and sometimes dangerous child care situations. Too few children are in good child care situations. Too many are left alone, or with slightly older siblings, or in overcrowded, unsafe, or unstimulating care.

The number of children with working parents will continue its rapid rise. By 1995 two-thirds of all preschool children and four out of five school-age children will have mothers in the work force. If our nation does not act now to begin to seriously and comprehensively address the child care crisis, parents will increasingly face impossible choices and young children will be left in increasingly inadequate care.

Child Care is Essential to Help Families Be Self-Sufficient.

Parents need child care to enable them to work, pay the bills, and be more productive on the job. For many two-parent families today, a second income is all that stands between them and poverty. In 1987, the House Select Committee on Children, Youth and Families found that 35 percent more two-parent families would live below the poverty line if the wives were not employed. Child care is essential to poor parents' efforts to work and to lift their families out of poverty. Studies show that child care helps lower-income parents enter the work force, keep working, and earn more:

- According to administrators of an ongoing work demonstration project sponsored by the Women's Bureau of the U.S. Department of Labor and the Rockefeller Foundation, affordable, quality child care services are the major unmet need of single mothers who are seeking employment.

- More than 200,000 non-working mothers of young children turn down job offers each month because they cannot find or afford child care, according to the Bureau of the Census.

Child Care is Essential to Help Parents Be Productive on the Job.

Working families need decent child care to assure parents' job security and meet the needs of employers who are increasingly concerned about the negative effects of a patchwork child care system on their current and future labor force.

- In a needs assessment conducted by Resources for Child Care Management (RCCM) and Bank Street College in three New Jersey companies with 931 employees who had children 12 and under, forty-six percent of the employees said that locating quality child care was a major problem. Forty-eight percent said that having an adequate selection of child care was also a major problem.

Parents are also forced to make multiple child care arrangements which create added pressures:

- The RCCM and Bank Street study found 38 percent of the families had as many as three to four different child care arrangements.
- A study conducted at New York University of 664 employed parents working in state agencies and insurance or retail sales businesses, who had children 16 or under, found that parents had an average of 1.7 child care arrangements per child.

Child care that incorporates the elements of high quality preschool and early childhood development programs is especially effective in giving children from low-income families the foundation they need to learn basic academic skills and eventually lead better lives. Every one of our children has a valuable contribution to make to our nation's future. As the population of the country ages, the percentage of Americans who are children and young adults is shrinking. This decline will result in a smaller proportion of Americans who will be entering the work force. Our country will depend more heavily on the skills of every young worker. In 1987, sixteen to twenty-four-year-olds made up 27 percent of the total working-age population; by 2005, that figure will fall to 20 percent.

Of today's three- to five-year-olds who will be entering the labor force around the year 2005;

- One in four is poor.
- One in three is nonwhite, and of these, 40 percent are poor.
- One in seven is at risk of dropping out of school.

Business and government leaders have begun to recognize that early childhood development programs that get children off to a good start can be a sound and cost-effective way to help low-income youngsters overcome early disadvantages.

A Growing Number of Families Cannot Afford to Pay for Child Care.

Despite the fact that child care is an essential service for a majority of America's families with children, finding affordable, available, quality child care is at best a daunting task, and is often impossible.

Millions of American families cannot afford to pay for decent child care, whether their household has one income or two. A growing number of America's working parents are poor. In 1985, 2.7 million children, or more than one-fifth of all poor children, were poor even though they had a mother who worked full time. Of the almost 5.3 million children younger than six who live in poverty, more than one-third have working mothers.

Single parents--now struggling to raise one of every five American children--are even less likely to be able to afford child care. The median annual income for a single mother with at least one child younger than six was only $6,400 in 1985, less than the federally established poverty line for a family of two. The cost of child care for one child can equal nearly half of that median wage.

A California mother wrote to the Alliance for Better Child Care desperately searching for help in paying for child care:

> "I am a single parent of two children, ages four and nine. I have been trying for the last two years to get child care assistance! I am a working parent, but may soon have to quit so that I can take care of my children. They are presently in a day care center, but I am months behind on my payments and have borrowed from every person I know. I have been on a waiting list at the Child Resource Center for over two years, but their funds are low.
>
> Where can I get assistance? I do not want to quit and become another welfare dependent. But is there a choice? I have a job where I can advance and eventually support my family on my own. But now I need help. Is there any federal funding that can help me????"

Too many parents make compromises in their search for affordable child care. A home outside Chicago that was closed last April by Illinois licensing authorities had 47 children, half of them under age two, being cared for in a basement by a single caregiver. Parents were paying $25 a week for this care because, as many of them said, they couldn't afford the average cost of child care in their area which is $75 a week.

o A young New York City mother of two sets of twins, who had been forced to leave high school to care for a sick mother, yearned to return to school to get the skills she needed in order to find full-time work and to move off welfare. However, she could not afford a babysitter and did not want to leave her three- and four-year-old children home alone. Her counselors advised her to place the children in foster care where she would be able to visit them while she got herself back on her feet. The situation did not work out as she had hoped. The children were abused in the foster home and when she tried to get them back she was accused of being an unfit mother. She was forced to go through a lengthy court proceeding to get the children back.

Families With Children of All Ages Search For Child Care.

An increasing number of parents begin their search for child care when their children are infants. In 1987, 52 percent of mothers with children younger than one were in the labor force.

The rapidly escalating demand for infant care, coupled with its very high cost, makes the task of finding and paying for such care especially difficult. However, the need for infant care far exceeds the supply. A survey of 129 hospitals with on-site child care centers conducted in the spring of 1987 by CDF found that such centers turned away two out of three babies. The centers were serving 12,336 children while 7,988 were on waiting lists.

Parents of preschool children also search for child care. In Boston, Massachusetts the community school's, preschool and after-school child care programs serve 1,000 youngsters, while 4,000 more wait to enroll. Although the program has tripled in size in the past five years, it still cannot keep up with the demand.

Finally, families of young school-age children face an acute shortage of school-age child care programs. While the Census Bureau estimates that slightly over 2 million children care for themselves after school, other studies which surveyed both students and parents indicate that this figure is an understatement of the problem. The majority of young school-age children either take care of themselves or are cared for by older siblings for some portion of after-school hours according to a Minneapolis area survey. The survey, conducted by the Center for Youth Development and Research at the University of Minnesota, included interviews with both parents and students. Among the children in kindergarten through third grade, about half are left to care for themselves or are cared for by siblings.

Children spending a great deal of time alone are often consumed by fear:

> In 1984, children were invited to write to the language arts magazine Sprint, published by Scholastic, Incorporated, in New York City, in response to this theme: "Think of a situation that is scary to you. How do you handle your fear?" The readership of this magazine include fourth, fifth, and sixth graders from all over the country, and the exercise was designed purely as a way of stimulating children to practice their writing. The editors were stunned to discover that nearly 70 percent of the 7,000 letters that poured in dealt with the fear of being home alone, mostly while parents were working.

Associates for the Metropolitan Life Insurance Company quoted a majority of more than 1,000 teachers interviewed in a study as citing isolation and lack of supervision after school as the major reason children have difficulty in school.

The Federal Government Has Virtually Ignored Families' Child Care Needs.

The child care crisis can only be met through an active collaboration among the federal government, state and local government, parents and the private sector. Despite the tremendous growth in demand for decent and affordable child care, the federal leadership required to address the problem in any systematic or substantial way has been non-existent. While some state governments and employers have made valiant efforts, most have not been able to even approach meeting the need, and too few have not made an effort to address child care issues.

The federal government has no program with the sole purpose of providing direct assistance to help lower-income families pay for child care. The Child Care Food Program is an important program, helping pay for nutritious meals served in child care centers and family day care homes. However, it does not address the cost of care. Head Start, a model early childhood development program, only provides care for a few hours and reaches less than 18 percent of eligible children. The amount of child care funded through the Community Development Block Grant, JTPA, WIN, and the Earned Income Disregard is very limited. The Title XX Social Services Block Grant--which provides the largest source of direct federal funds to states for child care also covers a wide range of other social service needs.

Title XX suffered a 20 percent reduction in FY 1982, and since then received only two modest increase, not enough to offset the impact of either the 1982 cut or years of inflation. After adjusting for inflation, the federal Title XX appropriation for FY 1988 is less than half that of FY 1977.

Some states have attempted to make up for shrinking federal help by increasing their state funding commitments for child care. This trend has increased in the past three years, as more governors and state legislators have acknowledged the link between child care and their states' economic vitality. But states' overall spending for child care in real dollars is still stuck at roughly 1981 levels. In 1987, twenty-eight states spent less in real dollars for child care funded through the Title XX

Social Services Block Grant than they did in 1981. Only 18 states were serving more children than they did in 1981, while twenty-two states were serving fewer. At the same time, the number of children younger than six living in poverty rose by more than 40 percent.

The largest federal effort to help families pay for child care comes through the dependent care tax credit. Low and lower-moderate income families, after the tax reform law takes full effect in 1988, have no or very small federal income tax liabilities, and will not be able to use the credit.

The credit while providing important assistance to many families neither helps to expand the supply of child care nor to improve the quality of care.

Even tax breaks that were refundable would not substitute for direct assistance because tax relief measures do not solve the basic problem of poor working families: they cannot afford the up-front cash outlay for child care, regardless of whether they can expect a partial reimbursement months later through the tax code.

While employers are increasingly concerned about child care, in reality only approximately 3,500 out of six million employers have made any significant investment in child care for their employees. Only a handful of these employers provide funding assistance. On-site corporate child care centers may sound like an ideal solution to America's child care problem, but even these are limited. According to Fortune magazine, such centers have few openings and certain employees get preferential treatment. Manufacturers tend to locate child care centers at headquarters where higher-paid employees work, while offering no child care at their factories. Moreover, the costs are often high. The weekly fees at a new GSA center are $87.50 a week for preschool-age children and $115 for infants, or $4,550 and $5,980 a year.

Significant Steps Must be Taken Immediately

The years of inattention, combined with the changing demographics of our country, have stretched our child care system beyond the breaking point. We must move quickly and comprehensively to build a child care infrastructure that will ensure safe care for our children, help low-income parents to work and avoid dependence on welfare, and allow working families the peace of mind they need to be productive in their jobs. While we must continually test new approaches in the delivery of services and in helping families pay for child care, it is far too late to consider a pilot program as the federal response to child care. As a nation we have a serious problem which demands a serious response from the federal government. The Alliance for Better Child Care, now composed of over 130 national organizations, has consulted with policy makers, child care providers, administrators and parents across the country in a thoughtful, time-consuming process to devise such a response. H.R. 3660, the Act for Better Child Care Services, builds on state child care policies and the concept of parental choice. It would help states to put a solid infrastructure in place that states, local governments, employers, private charities and parents could continue to enhance.

The three issues the proposed legislation addresses are:

- Affordability
- Availability and
- Quality

Affordability

There is no doubt that states by themselves, regardless of the size of their child care investment, cannot offer help to the millions of families who cannot on their own afford to pay for decent child care:

- Half the counties in Kentucky do not offer child care assistance to low-income working families.
- Florida maintains a waiting list of almost 30,000 children.
- In a 1986 survey, 230 public housing projects around the country with on-site child care centers reported combined waiting lists totaling 96,000 children.
- Seattle and New York City each serve only one of five eligible children.
- Georgia serves only 8,000 out of an estimated 76,000 children eligible for Title XX funded child care services.
- The state of California, which funds the largest school-age child care program in the nation, provides child care assistance to only 8,000 of the estimated 500,000 eligible children.

H.R. 3660 reserves 75 percent of the funding to help families pay for child care on a sliding fee scale basis. Other provisions in the affordability section are designed to address flaws in current policies which limit the availability of child care for low-income families. For example:

- States would be required to pay the market rate of child care. Currently, the child care assistance that a poor parent receives from their state is often not enough to pay for the cost of child care. While local child care programs may charge from ten to twelve dollars a day, the state rates are more likely to be seven or eight dollars a day. Thus, child care providers are reluctant to serve low-income children because they can earn more by serving private-paying parents. This only serves to exacerbate our growing two-tier child care system.
- States would be required to pay higher reimbursements for infant care, comprehensive programs for adolescent mothers, and child care for handicapped children, all of which cost more and will not be readily available unless these higher costs are reflected in the rates.
- States would be required to reserve a minimum of ten percent of affordability funds for state and local public preschool programs, Head Start and Chapter I preschool programs, and preschool programs for the handicapped children, enabling these programs to extend their hours of service to full day and full year. it makes good sense to build on these quality programs which are for the most part targeted to low-income children. At this time these programs cannot serve the needs of working parents because they only operate part-day.

Availability and Quality

Resource and Referral

Parents must have a place to turn in their community to help them find child care that meets their schedules. Resource and referral programs can facilitate this process in many ways. By keeping lists of licensed and regulated child care providers a resource and referral program can help parents locate quality child care. Adequately funded resource and referral programs can also be a major factor in improving the quality of child care by offering support services such as training to providers, and helping to recruit and support new family day care providers. Finally, because they keep track of the need for various kinds of child care, these programs can be of invaluable assistance to policy makers in planning the development of child care services in a community.

The majority of states do not help fund the operating costs of a state wide system. California and Massachusetts fund the most extensive networks of resource and referral programs. Only fourteen other states and the District of Columbia provide any state funds at all to start or operate such programs. Although an increasing number of employers are investing in resource and referral programs, these services are generally limited to their employees and are not made available to the wider community.

HR.3660 would encourage the development of resource and referral programs throughout a state that would provide a range of essential services to both parents and the child care community.

Training

One of the most consistent findings of research is that positive developmental outcomes accrue to children in programs with adequate numbers of staff trained in early childhood education skills. Specialized training in child development and early education has been shown repeatedly to affect children's social and cognitive gains in early childhood programs. Training appears to have three major benefits. First, it instructs adults in the skills that are required of excellent teachers. Working with children in groups entails special challenges such as retraining the attention span of children with different abilities and interests, and promoting positive social interaction. Second, skills in working with parents are also a vital part of training. Finally, training is a clear determination of an individuals's commitment to the child care profession. Specialized training makes the job of child care easier for adults, thereby making the career more rewarding.

Only twenty-six states require continuing training for teachers while they are employed in child care centers. Forty-two states do not require training for family day care providers. Twenty-two states do not require training before teachers come to work in child care centers. Seven states have no training requirements of any kind.

H.R. 3660 would take a first step toward expanding the number of trained caregivers by requiring that all states offer a minimum of 15 hours of training per year, in areas essential to working successfully with young children, for all caregivers. States would also help to develop and coordinate training programs, maintain clearinghouses for child care training materials, and offer scholarship assistance programs for caregivers seeking to improve their skills.

Wages and Salaries

Both the availability and quality of child care are undermined by low salaries offered in child care. Census Bureau data indicate that child care workers' wages actually shrank 25 percent from 1979 to 1986. The mean hourly earnings of female full-time providers dropped from $2.67 to $1.99, measured in inflation-adjusted dollars.

Child care providers today are paid less per hour than animal caretakers, bartenders, and parking lot attendants. Only one-half of all child care workers receive health benefits; not even one in five has a retirement plan. Not surprisingly, many child care workers move on to other professions.

Low wages result in high turnover--a problem that exacts a high cost from our children. The staff turnover rate is now 42 percent a year in child care centers and 67 percent a year in family day care homes. Carolee Howes of the University of California at Los Angeles studied children in child care between eighteen months and three years of age. She found major ill effects resulting from high turnover among providers. The children in her study whose day care providers changed several times demonstrated less self-control and less confidence than peers who had stable environments.

A worried Alabama mother talks about what staff turnover means to her child:

> I have a three-year old son in a day care program in a small rural area church. We have run into the problem of changing teachers every week or every other week or so. I have talked with the day care director who I respect very much and she says that the problem is not the children, but the pay.... While my son enjoys school after he gets there, we have the problem of him not wanting to go in the mornings, especially Mondays because he does not know who to expect to greet him.

H.R. 3660 requires that states develop a plan to improve wages and compensation at least for workers in programs serving eligible children.

Protections to Ensure Children's Health and Safety

The tragedies resulting from child care that is not safe are growing at an alarming rate.

Current child care standards set by individual states vary widely and are often so inadequate that they fail to provide for the most basic safety of the children in these programs.

- Thirty-one states do not establish any maximum group size for preschoolers, while twenty-five states do not set a maximum for infants. Research shows that a small group is the key to each child's learning, health and safety.
- Ten states have no specific health training requirements for staff in child care centers. At least seven states do not require staff to wash their hands, even after diapering youngsters.
- Twenty-nine states have no regulations guaranteeing unlimited parental access to child care centers--another key safeguard of quality and safety. Thirty-five states do not guarantee parents unlimited access to family day care homes.

- o Only three states require centers to meet the crucial recommendations of the National Association for Education of Young Children that no more than three infants should be cared for by one person. A low ratio enables a caregiver to pay adequate attention to each infant's feeding needs, safety, and development.

The absence of standards hurts children and families. A 1985 study of child abuse and neglect in North Carolina's day care programs found that complaints against unregistered family day care providers were three time as likely to be severe as those against registered homes. Furthermore, child care centers that were subject to lower state standards and less monitoring were five times as likely to be the subject of serious complaints as programs that met higher state standards and were monitored more frequently.

Child development research clearly shows that low quality care has negative effects on children regardless of income.

H.R. 3660 establishes a bare minimum safety floor for children in both child care centers and family day care homes and targets funds to help child care programs meet standards which would complement state licensing laws. States have five years to meet these basic standards as well as enforcement procedures that will ensure greater protections for parents. These protections include the establishment of consumer education programs to help parents make wise child care choices, setting up state child care hot lines for additional child care information, the expansion of trained staff to monitor child care programs and the guarantee of unannounced visits to child care programs. When states meet the goals for standards and enforcement practices, their state match would drop from 20 to 15 percent.

It is difficult to argue with the concept of setting a minimum floor to protect children.

Other provisions to increase the supply of safe child care include requirements that states establish low-interest loan programs to start or renovate child care programs and that they support organizations which offer help to family day care homes and work to recruit new family day care providers.

The passage of the provisions included in H.R. 3660 would represent a first step towards putting this country's child care house in order. This is a a modest bill that responds to a set of extraordinarily serious problems that plague our child care system. These problems are not confined to any one community or geographic area. Across this country we hear growing reports that point to an increasingly vulnerable child care system which threatens the safety of our children. Too many families have faced unspeakable tragedies because they cannot locate or afford decent child care, too many programs are considering closing their doors because they can no longer recruit or retain staff, too many parents have no idea where to turn in their communities to find help in locating minimally decent child care and too many staff in licensing departments are so overburdened that they cannot do a minimally adequate job of monitoring and providing help to child care programs in their state.

Acting Chairman Downey. Thank you, Helen.

Ms. Pizzo.

STATEMENT OF PEGGY PIZZO, SENIOR PROGRAM ASSOCIATE, NATIONAL CENTER FOR CLINICAL INFANT PROGRAMS

Ms. Pizzo. Congressman Downey, before I can start this testimony, I have to add a personal note. Eight years ago, my husband and I had a dream to build a house for seriously ill children at the NIH. And I cannot sit here today and look at you and not thank you and Mrs. Downey for your help in making that a reality.

Acting Chairman Downey. Thank you.

Ms. Pizzo. I would like you to see a very brief segment of a video. And I have thoughtfully considered whether to even show this to you. It is an example of very serious emotional deprivation experienced by babies in an orphanage where too few caregivers are available to give the babies care.

It is the kind of film which all of us saw as we were training to become child development experts. It is the reason why we wake up at night worrying about the kind of child care which is being delivered in this country under the jurisdiction of this committee and under the jurisdiction of State governments at the present moment in time.

This segment shows Dr. Rene Spitz at work in assessing the impact of both loss and neglect on babies who are in an orphanage where they do not receive individual attention. I know that it may be possible that some people will misrepresent this segment, but I cannot avoid the irresponsibility of someone else's deliberate misinterpretation.

It begins with Dr. Berry Brazleton. The video is called, "Because Babies Are Our Future." It is produced by the National Center for Clinical Infant Programs.

[Videotape shown.]

Ms. Pizzo. I do not want to take the time of the committee with the entire video. We want you to be aware that day care services are certainly not orphanages, and one would not be likely to see babies as deprived as this even in very poor day care. However, less vivid manifestations of emotional neglect might be found in very understaffed day care programs that are indifferent to the basic emotional needs of infants and toddlers.

I am going to do three things today: I am going to tell you who the National Center for Clinical Infant Programs is, who I am; I am going to tell you what our basic stance is towards the work of this committee and day care in general; I am going to briefly discuss the issue of standards; and I am going to recommend three simple initiatives, inexpensive and noncontroversial, that would improve the quality of day care which is currently under the jurisdiction of this committee.

The National Center for Clinical Infant Programs, or NCCIP, was established in 1977 by a group of leaders from the fields of health, mental health, and child development. Dr. Brazleton was one of them. NCCIP is a national resource for knowledge about children under the age of 3. Publications, training institutes, a fellowship program and work with State governments in both early intervention services and in day care are the principal ways that this knowledge is diffused at this moment in time.

We are not lobbyists. We do not endorse any specific pieces of legislation. But we are in an excellent position to advise Members of Congress both because of the depth of knowledge and because we do not have any financial linkage with child care programs or any other programs serving babies.

I am a senior program associate, a senior member of the staff, with 20 years of experience in programs for children spanning direct hands-on work as an administrator of a child care center serving 120 children, and an instructor of family day care providers, to service on the White House staff as an adviser on children's issues, including child care.

I have in my testimony some research findings. I request that the entire testimony be inserted in the record. I want to say that these research findings show the greater fragility of the infant, as well as the vulnerability of the new parent: for example, greater deaths from accidents during the first year of life. Children under one experience almost twice the rate of hospitalization, especially from respiratory disease. When babies under 2 years are abused a staggering 1 in 2 will die from that child abuse injury. This greater fragility causes NCCIP to adopt three strong stances with regard to publicly funded child care under your jurisdiction.

One, good day care, freely chosen, is an enormous benefit to children and families. Second, all infants and toddlers in child care deserve a high quality program, strict protection against both developmental and health and safety hazards. Parents should be entirely welcome—you heard Helen testify about how they are not—in the child care program, and whenever possible, family support should be an integral part of the child care.

Third, and you have heard from us before on this one, no parent should be forced to leave a baby in child care. Required participation in the work force should not apply to mothers of children under three. And we particularly commend the committee who championed this principle at the Federal level in drafting the welfare reform legislation last year. We want to thank you for your attention to this.

We would have strongly preferred that States not be given even the option to require—again, I use the word "require"—mothers of children under the age of three to leave their babies as a condition for assistance under AFDC.

Let me talk for a minute about standards. Research demonstrates that there are certain regulatable characteristics of day care which have a profound influence on the young child. For example, the largest study of day care ever completed, the national day care study, demonstrated that infants in the larger groups with fewer caregivers showed more overt distress and more apathy than babies in the smaller groups with a sufficient number of caregivers, that is three or four babies to one attentive caregiver. In the larger groups, they were also more frequently exposed to dangerous situations.

Studies of family day care also demonstrate that trained caregivers in small groups are associated with such child characteristics as good language development and social interactions less fraught with aggression, more characterized by cooperation. I would like you to pay attention to that because of a research finding I am going to tell you about in a minute, a very exciting new finding.

The Congress will have the opportunity to debate the issue of health and safety standards for day care as it considers the Better Child Care Act, and especially the issue of State standards versus Federal standards. As that debate proceeds, this committee has already taken an important step—and, again, I would like to commend you—toward improving protection for children in day care financed under the AFDC income disregard. For as we sit here today, no Federal statute, until your welfare reform bill is signed and on its way into implementation, no Federal statute prohibits the use of funds under your jurisdiction from the support of family day care homes in nine States which do not require these homes to comply with any standard. Any standard. Not immunization, not protection against a caregiver with a criminal record, not a safety standard, nothing.

In these 9 States, family day care homes are not required to meet any State licensing or State registration. In 37 States, some family day care homes are permitted to operate without meeting the State's own laws. This committee is to be commended, first, for increasing the amount of child care expenses that can be disregarded; and, second, for requiring States to both develop standards if none exist, and to apply those standards to at least those day care homes serving two or more children.

More needs to be done. Let me give you some examples. Currently, 7 States permit 12 or more 2-year-olds to be cared for by one adult. Twenty-eight States require neither experience nor any form of education or training for individuals seeking to provide child care in their own home. Ten States do not have an immunization requirement for family day care, and 16 States have no reference at all to hand-washing. Both of these omissions facilitate the spread of infectious diseases in day care. Both are simple and could be changed quickly.

The cost of infant day care centers ranges from a high of $200 a week in Boston to $125 a week in Chicago; family day care homes are ranging from $150 a week in Boston to between $35 to $125 a week in Washington, D.C. This committee's recommendation of $200 a month for children under 2 is a welcome increase from the $160 that it is currently. But in cities like Boston and Chicago, it is going to relegate children to the cheapest possible form of care, if they can find a provider, a family day care provider. A good day care center is absolutely out of the question for the families that we care about.

I would like the committee to note that high quality infant child care for economically disadvantaged children, freely chosen, has enormously wonderful benefits. There is a new research study which has just shown the following: Ten years after their participation in the Syracuse University Family Development Research Program, children had a 6-percent rate of juvenile delinquency—these are children from the poorest of the poor in that community—compared to a 22-percent rate for children in the control group. Not only was the control group delinquency rate almost four times greater, but the offenses were much more severe. In addition, the cost to the court and the probation department for handling these cases was estimated at $12,000 for the program group and $107,000 for the control group. These are children who were followed over the course of 10 years.

So we know what quality day care is precisely. We know exactly how to do it. And when our grandchildren hold us accountable for the kind of child care programs we have allowed to develop in our Nation, they will undoubtedly ask us, when we knew exactly what to do, why we refused to do it. They will undoubtedly ask us why we watched as $660 million social services block grant funds flowed into child care programs whose safety and whose quality we know very little about. Currently, we do not even investigate what the child care financed by this $660 million looks like at all.

If you ask me, or you ask any witness, whether children suffer physical or emotional neglect in some of these day care programs, I would have to tell you the following: The most remarkable finding of the national day care study 10 years ago is very reassuring: that despite legal permission in many States to operate at levels that border on child neglect, most providers were operating at levels that were closer to what we would call good practice. Most providers of infant day care were somehow managing to assign only four infants under 18 months to every caregiver. But this study, the major study of day care in the United States, did identify centers, financed by public funds under the jurisdiction of this committee, where as many as 14 toddlers were being cared for by just 1 adult.

Today, we could not tell this committee whether under one of its statutes it is providing funds to prevent or remedy child neglect who under another one of its statutes, for example the social services statutes, it is providing funds which are ending up financing services that neglect children.

Despite an available statutory authority for carrying out such factfinding and the modest costs of such activities, we are silent before the Nation about the kind of care to which we are enthusiastically consigning children of mothers struggling to get off or stay off welfare. The Better Child Care Act provides some good solutions to this.

With regard to child care funded under your jurisdiction, there are three simple initiatives I would like you to think about. One, finance and require the Children's Bureau to investigate and report on the national profile of day care programs that are currently funded under your jurisdiction. The Children's Bureau has the statutory authority for doing this. You do not have to create a new authority. But in this administration, you may have to require that this work be done.

Two, encourage the States to continue the trend away from a flat age-indifferent reimbursement rate for day care. In the 1970's, providers who cared for infants did not get a different reimbursement rate than those who cared for 4-year-olds, even though they had to have more staff, or family day care mothers took in less children. Now, today, 20 States pay a higher special rate for infant day care. This could be encouraged.

Third, require the Federal Government to encourage State administrators to form interagency agreements among the State social services, the nutrition people, social services people, health, mental health in order to finance, where needed, immunizations and health assessments for every child in publicly funded child care. This is unimportant protection against health and safety hazards in day care, but it is also a really excellent way of linking your efforts with the other efforts of the Congress to identify children with special needs at a very young age, which is an action ardently supported by the Congress under Public Law 99-457. Funds for these initiatives, conducted as research and demonstration projects, can be authorized under title IV of the Social Security Act.

I had planned to close with a bit of an emotional appeal to you. I think time is limited, and I will stop here and be happy to take questions, if you would like.

[The statement of Ms. Pizzo follows:]

TESTIMONY ON

CHILD CARE AND LOW-INCOME FAMILIES

Peggy Pizzo

National Center for Clinical Infant Programs

Congressman Downey, Members of the Subcommittee on Public Assistance, Committee on Ways and Means, House of Representatives

I would like to see a very brief segment of a video called "Because Babies Are Our Future", produced by the National Center for Clinical Infant Programs. This segment shows Dr. Rene Spitz at work in assessing the impact of both loss and the neglect on babies who need to be touched, played with and held. The picture you will see is of extreme emotional deprivation occurring in an orphanage. This is emotional neglect carried to an extreme. It is this nightmare which has made many of us so concerned that infants not be exposed to child care services which relegate them to confinement in cribs without individual attention from caring adults who handle, play and talk to them.

VIDEO SEGMENT

Day care services are not orphanages and one would not be likely to see babies as deprived as this even in very poor day care. However, less vivid manifestations of emotional neglect might be found in very understaffed day care programs indifferent to the basic emotional needs of infants and toddlers.

The National Center for Clinical Infant Programs (NCCIP) was established in 1977 by a group of leaders in health, mental health and development. Their common interest and expertise was in the social and emotional as well as physical and cognitive development of children from birth to age three. NCCIP is a national resource of knowledge about the first three years of life. Publications, training institutes, a fellowship program, and work with state governments are the principle ways this knowledge is diffused. In the area of infant day care, NCCIP hosted under the leadership of Professor Edward Zigler of Yale University a consensus meeting of top researchers around the country who have resolved some of the controversy around the effects of infant day care research and recommended a variety of acceptable research initiatives. NCCIP also works with state governments around child care, under a grant from the Mailman Foundation. In this project, we identify promising State strategies such as the cooperation between Head Start and family day care in a demonstration project in the state of Washington, where some homes are designated as Head Start family day care homes.

We are not lobbyists. We do not endorse specific pieces of legislation. We are in an excellent position to advise members of Congress, however, both because of the depth of knowledge possessed by both Board and staff and because we have no financial responsibility for child care or other programs serving infants and toddlers.

I am a Senior Program Associate at NCCIP, a member of the senior staff, with 20 years experience in both policymaking and actual programs for children. That experience has covered a wide range from work as an administrator of an inner-city day care center serving 120 children and an instructor of family day care providers to work as a White House advisor on children's issues, including child care.

As you have seen, research in orphanages and hospitals tells us that babies and toddlers suffer significant emotional and even physical distress when they are not touched, played with, held, and talked to - in short, when they are neglected because there are too few staff. Research also tells us that even in the last twelve years of the twentieth century, the health and safety of babies is still fragile:

o children under age one have more deaths from accidents than any other single year of childhood.

o children under one experience almost twice the rate of hospital use than slightly older children, with respiratory disease a lead cause of hospitalization.

o although they represent only 22% of all children, infants and toddlers account for 30% of the reported cases of child abuse each year. Among babies under two years, a staggering 1 in 2 who are abused will die. Once again, correlations with other forms of stress are apparent; handicapped infants and toddlers are more likely to be abused. (NCCIP, 1987)

The convergence of greater developmental and health and safety fragility of the infant- as well as the vulnerability of the new parent - causes NCCIP to adopt two strong stances with regard to publicly funded child care under your jurisdiction.

o All infants and toddlers in child care deserve a high quality service, with strict protection against both developmental and health and safety hazards. Parents should be entirely welcome in the child care program. Whenever possible family support should be an integral part of child care.

o No parent should be forced to leave a baby in child care. Required participation in the work force should not apply to mothers of children under 3. We particularly commend the members of the Committee who championed this principle at the federal level in drafting the welfare reform legislation. We would have strongly preferred that states not have the option to require mothers to leave their babies in child care as a condition for assistance under Aid to Families with Dependent Children AFDC).

The Issue of Standards

Why do child development experts advocate such standards as few babies per caregiver and training for all providers? Why do we concern ourselves about the details of health and safety standards? Research demonstrates that these regulatable characteristics of day care can powerfully influence the child. The largest study of day care ever completed, the National Day Care Study, demonstrated that infants in the larger groups with less caregivers showed more overt distress and more apathy than those in small groups of 3 or 4 staffed by an attentive caregiver. They were also more frequently exposed to dangerous situations. Studies of family day care homes also demonstrate that trained caregivers and small groups are associated with such child characteristics as good language development and social interactions less fraught with aggression and more characterized by cooperation. (Clarke-Stewart and Gruber, 1984; Howes, 1983 and Rubinstein, 1985).

At this moment in the history of child care, the executive branch of the federal government is content in the belief that protection and quality are best assured by current state and local standards. The Congress will have the opportunity to debate this as it considers proposed legislation such as the Act for Better Child Care. As that debate proceeds, this Committee has taken an important step towards improving protection for children in day care financed under the AFDC income disregard. For as we sit here today, no federal statute prohibits the use of funds under your jurisdiction from the support of family day care homes in nine states which do not require these homes to comply with any standard - not immunization, not protection against a caregiver with a criminal record, not safety requirements. In these nine states, family day care homes which provide care for fewer than five children are not required to meet any state licensing or registration. In 37 states, some family day care homes are permitted to operate without meeting the state's own requirements. This Committee is to be commended first for increasing the amount of child care expense that can be disregarded and second for requiring states to both develop standards if none exist and to apply those standards to at least those day care homes serving two or more children. More needs to be done in assuring protection for babies and toddlers in child care. Let me give you some examples of that need currently:

- o 7 states permit 12 or more two year olds to be assigned to each adult, a condition which fosters emotional neglect and accidental physical injury.
- o 28 states require neither experience nor any form of education or training for individuals seeking to provide child care in their own homes. Only 9 states require any ongoing training for family day care providers.
- o 10 states do not have an immunization requirement for family day care, and 16 states omit any reference to handwashing. Both omissions facilitate the spread of infectious disease (Morgan, Gwen. 1986)
- o The costs of infant day care centers ranges from a high of $200 a week in Boston to $125 a week in Chicago; homes from $150 a week in Boston to $35 to $125 a week in Washington, D.C. (Morgan, Gwen, 1987)

Protective Standards cannot be met unless the funds are provided to do so. The Committee's recommendation of $200 a month for children under 2 is a welcome increase from the current $160 a month. But in cities like Boston and Chicago it will relegate children who must depend on family day care homes to the cheapest care - if their parents can find any provider at this rate. A good day care center is completey out of the question.

It is important to note, as I will describe below, that research shows that many day care providers will adopt for themselves a much higher standard than the ones permitted by state laws. Such is the dedication of individuals whom the Secretary of Labor identifies as making less than $12,000 a year (U.S. Department of Labor, 1988). But at this moment in the history of child care, we do not know how many providers adopt good practices in the face of state licensing laws which tolerate neglectful behaviors.

Recent research findings highlighted

I would like the Committee to note that high quality infant child care for economically disadvantaged children, freely chosen by parents, and with high levels of contact with parents will pay our nation back many times over for its investment. Consider the most recent findings of the Syracuse University Family Development Research Program, which was headed by Dr. Ronald Lally, a member of NCCIP Board of Directors. From an article published in Zero to Three, the journal of the National Center for Clinical Infant Programs we find:

> Ten years after their participation in the Syracuse University Family Development Research Program, children had a 6% rate of juvenile delinquency compared to a 22% rate for children in a control group. Not only was the control-group delinquency rate almost four times greater, but the offenses were much more severe. In addition, the cost to the court and probation department for handling the cases was estimated at $12,000 for the program group and $107,00 for the control group...

In addition to the findings on juvenile delinquency, family interview data indicated that program families tended to value prosocial attitudes and behavior, education, and family unity. Likewise, program children tended to express more positive feelings about themselves, take a more active approach to personal problems, and see schooling as a vital part of their life." - Lally et al. "Follow-up study of the Syracuse University Family Development Research Program, 1988."

We know what quality day care is - precisely. We know that good child care for economically disadvantaged children is associated with longterm savings to our nation, that measurably less school failure and less incarceration will most likely occur in a population of low-income children who participate in a high quality child care program characterized by extensive parent contact.

When our grandchildren hold us accountable for the kind of child care programs we have allowed to developed in our nation, they will undoubtedly ask why, when we knew exactly what to do, we refused to do it. They will undoubtedly also ask why we watched as $660 million in Social Services Block Grant funds flowed into child care whose actual safety and quality we can say very little about. For despite our certain knowledge about what characterizes the type of child care that protects children from disease and injury and points them toward success in school we have turned away from even investigating what the programs financed by this $660 million look like at all. If you ask me-or any witness-whether children suffer physical or emotional neglect in some day care programs financed by federal funds, I would have to tell you the following. The most remarkable finding of the National Day Care Study ten years ago is reassuring: that despite legal permission in many states to operate at levels of care that border on child neglect, (twelve toddlers assigned to one adult, for example) most day care centers in the sample studied chose then to assign only four infants under 18 months to every caregiver. However, the National Day Care Study did identify centers - supported with the federal funds that this committee authorizes - where as many as 14 toddlers were assigned to each adult. Today, we could not tell this committee whether under one of its statutes it provides funds to prevent the neglect of children and under another of its statutes it provides funds to some day care services which carry out the kind of neglect that this committee works so hard to try and prevent. There is in progress one good national study about the staffing of day care centers: the Child Care Staffing Study. But over a decade, no national studies or surveys of the actual health and safety or quality of center and family day care programs have been commissioned. Despite an available statutory authority for carrying out such fact-finding and the modest costs of such activity, we are silent before the nation about the kind of care to which we enthusiastically consign children of mothers struggling to get off or stay off welfare.

Bills like the Act for Better Child Care deal with the problem of unacceptable standards by setting a few federal standards and then concentrating resources in the improvement of the broad array of state and local regulations. Although the National Center for Clinical Infant Programs does not endorse specific legislation, we think this approach to the issue of standards is good.

Recommendations

In carrying out responsibility for the child care programs funded under your jurisdiction, the Committee could make a major difference for children and families with the following three initiatives:

1. Finance and require the Children's Bureau to investigate and report on the national profile of day care program

for such fact-finding is already provided under the Children's Bureau Act of 1912. This work should build on both the methodology and the personnel involved with the National Day Care Study.

2. Encourage the states to continue the trend away from a flat age-indifferent reimbursement rate for day care. In the 1970s, providers who cared for infants received exactly the same reimbursement for babies as they did for four year olds, despite the fact that they would either have to hire more staff to care for the babies and toddlers or, in the case of family day care providers who looked after babies, care for fewer children (and thus deny oneself income). Twenty (20) states now pay a higher special rate for infant care, a hopeful sign.

3. Require the federal government to encourage state administrators to form interagency agreements among the state social services, nutrition, family support, health and mental health agencies in order to finance, where needed, immunizations and health assessments for every eligible child in day care. The state's special education community might like to participate as an excellent way of locating and planning services for babies and toddlers with special needs - an action ardently supported by the Congress. Funds for research and demonstration projects which could support these three initiatives can be authorized under Title IV of the Social Security Act.

Most of the other measures which improve the quality of care, such as training; support for resource and referral agencies and for family support/resource programs; regular state review and improvement of state and local standards are embodied in the Act of Better Child Care or in other pieces of legislation. There three simple initiatives, mentioned above, could be usefully pursued as a way to improve child care over which you have authority.

Tomorrow morning, if you drive to the Capitol, I hope you will choose streets where low-income mothers and small children can be found making their way to day care. I hope you will watch the faces of the childen carefully and ask yourself what kind of child care these children move towards, whether it is financed by funds that fall under your jurisdiction and what response will be yours as they live out their lives profoundly influenced by decisions you make as a member of this Subcommittee.

Thank you for the opportunity to testify.

Acting Chairman **Downey**. I have just one question for each of you.

Ms. Blank first. Later today, Mr. Rector will testify from the Heritage Foundation. He'll quote a Department of Labor day care report, claiming "There is no evidence in support of the contention that there is a general national shortage of available day care."

Ms. **Blank**. We disagree. I think again if you talk to economists, they will say parents find day care. If you talk to parents and ask them whether they're satisfied with their day care, many of you will tell you they are not.

We know that studies show that the single most critical factor that keeps low-income women from working or going into training programs is lack of day care. Two hundred thousand women each month turn down job offers because of the lack of day care according to the Census Bureau. And study after study show similar results.

We know that if you need infant care, you're not so dissimilar from that mother in Maryland who had to have 118 references before she could find a provider. We know that as Peggy testified that where those infants are, because of the cost and the lack standards, should cause us great concern. Many 3- and 4-year-olds, as I said, have multiple child care arrangements that their parents are packaging. There are more preschool programs, but at 11 o'clock, children are going somewhere else, and sometimes at 3 o'clock they are going yet somewhere else.

Child development experts are concerned about children moving back and forth among different care givers in a single day. We know that school-age children are prematurely being granted extraordinary responsibility. Six- and seven-year-olds are coming home alone. As I said, 2 million is too many. A University of Minnesota study which interviewed parents and children, found that among the children in kindergarten through third grade, about half are left to care for themselves or are being cared for by siblings.

School teachers are worried. They say the children are doing less well in school because they're not getting adequate adult supervision.

People who run hotlines for school age children, are finding that these children are scared and nervous. They are being asked to be grownups much, much too early.

Families are working. The solution is not to say mothers should go home. We have got to provide decent care. And I think we've got to look at quality. It isn't just supply.

Yes, if you're desperate, you find day care.

Acting Chairman **Downey**. Ms. Pizzo, you mentioned that you already know precisely what quality day care is, and that our grandchildren will hold us accountable for refusing to act when we know exactly what to do.

I'm not sure I know exactly what quality day care is. Can you give us a short definition of what it is in your mind?

Ms. **Pizzo**. Sure. In a day care center for infants and toddlers, it's providing care for about three to four babies per care giver with a care giver who is either trained or participating in training at the time. And that training should cover a span ranging from health and safety issues, first aid, other kinds of concerns, prevention of infectious diseases to our concerns about child development and how babies develop intelligence and emotional security.

In addition quality day care makes sure that basic protections against infectious diseases, which is a big risk for very young children no matter where they are, whether they're in day care or not, are in place. These protections include immunizations, hand washing, other kinds of concerns like that.

Third, it's providing support to parents. I think extensive involvement with parents is really critical.

Fourth, it's providing the kind of environment, physical environment which is safe and stimulating.

In day care centers, that's what quality is basically. And I can give you a lot more detail about it.

In a family day care home, quality is principally making sure that no more than about five children are cared for by any one family day care provider. If she wants to take in more children, it's a good idea, as is happening in many States, that she engage the services of an assistant who would help her. And of those five children, it's important that no more than about two of them be under the age of two so to assure the kind of individual attention, which both prevents accidental injury, and also gives children the kind of attention they need to grow up well.

Again, that family day care provider should either be trained or be participating in some kind of ongoing training, to build on her existing store of knowledge about children. Remember, many family day care providers come into their work at the age of 18, 19, 20, and they know very little to start with. Work with parents is also important in family day care and the safety of the environment is of central concern as well.

In thinking about quality, there are these four things to think about, at least four dimensions of quality with regard to each type of care, center-based and home-based care.

Acting Chairman Downey. Last, if I'm a parent and I live in a State that has no regulations with respect to the number of care givers that should be in the home and in an informal setting, why should I not, as a parent, ask the necessary questions and determine what is an appropriate home for myself? Why should the State be in the position of doing that for me?

If I have a child, and I'm trying to find a day care setting for it, and I'm in one of these nine States, I'm capable of asking questions, am I not, myself, about what is an appropriate setting and what isn't?

Ms. Pizzo. Well, you might very well be. But there might well be some things that you might not think about.

For example, going into a day care center for infants and toddlers, looking at it with regard to your own children, you might not ask what kinds of sanitary precautions they're taking, how often are the surfaces washed after diapering, what solutions are used, how often do the care givers wash their hands in between each diapering? You might not ask what types of nutrition is available to the babies. You might not ask what happens over the course of the day; how often the babies spend time in cribs or playpens, how often are they out.

What I'm saying to you, Congressman, is that you might, you might be the sort of person who has looked up this and studied it and thought a great deal about it. But your next door neighbor might not. And, in addition, you have a concern for many families in this country who do not have the kind of freedom, feeling of freedom that you and I would bring to asking questions in a child care program, because they are desperately trying to find work or to maintain a job. And the pressure to accept any kind of program that's available, as long as it looks reasonably okay, just a place of some kind to leave a child.

That pressure is so intense that even you or I might find ourselves in the position of not asking those questions.

Acting Chairman DOWNEY. Let me ask you, is there any evidence to suggest that unregulated day care by neighborhood day care mothers is any less good than licensed regulated care?

Ms. PIZZO. There is a study in North Carolina which showed that day care providers were three times as likely to have child abuse reported in the family day care home if they were unlicensed or unregistered.

We seem to have a long history in this country of making sure traditionally that child care programs in this State were licensed or registered. And as this study shows, it seems to be an important correlation with protection of children against child abuse.

Acting Chairman DOWNEY. I want to thank you both for testifying today.

Tom and Nancy, if you would come up, please.

We took the Children's Defense Fund and the National Child Care Association out of order only because they were here first.

We will go back to our schedule and take Mr. Tauke and Ms. Johnson and Philip Johnston, and then go to our final panel.

Is Mike Rosenberg here?

Mr. ROSENBERG. Yes. He's still right here.

Acting Chairman DOWNEY. OK. It is the committee's intention to take you and Ms. Barnes after the other witnesses have testified.

I think you were here first. We will begin with Mrs. Johnson.

STATEMENT OF HON. NANCY L. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Ms. JOHNSON. Thank you. Thank you, Mr. Chairman, for the opportunity to testify before this subcommittee of the Ways and Means Committee.

Affordable and accessible child care is especially important and pressing for low-income families. And I commend you for holding these hearings because low-income working families are the one group that Federal child care policy has consistently ignored.

You know the new demographics of the work force, that the number of mothers of young children working has more than tripled since 1950. You've heard the number of working women will have to increase if we are to forestall a labor shortage at the turn of the century, and have read the Secretary of Labor's Task Force Report on Child Care, which tells us that women will comprise over three-fifths of the new entrants into the labor force between 1986 and the year 2000.

You are well familiar with statistics on poverty that tell us that families headed by a woman are at great risk of being very poor.

All of this means that women working is not only the norm in today's society, but the strength of our economy in the future depends upon it. Child care is not a choice or a luxury, but a matter of economic survival for our people and our Nation. It also means that the changing role of women in the work force is changing their role in families, and forcing some children to forego the sense of stability and security that most traditional family units used to provide because of our inability to deal with the child care crisis that faces us.

I have been involved in a child care debate ever since I was elected to Congress, and before that as the Senate Chair of an oversight committee. I won't go into the details, but in 1981, we did an exhaustive study, not only of the issue, but of licensure in Connecticut and how it was and was not working, Connecticut is one of the most progressive States and I believe my experience is of some relevance and available if I can be of help in that area.

I've come before your subcommittee on other occasions to discuss my first child care proposal directed specifically at the needs of low-income families. H.R. 1572, as you will recall, is still, in my estimation, an essential proposal to meet the child care needs of working poor, and should be a part of any broader child care legislation.

It is an aggressive head-on attack at the affordability of child care for low-income families by providing income-related subsidies to assure that working low-income families can afford day care. And that piece of the action segregated from the general program is extremely important. My bill does it, and so does the Tauke proposal. It's something that the Johnson-Hatch bill and the ABC bill do not do. They allow it, but they don't segregate that effort, and I think we must segregate that effort to provide income-related subsidies.

My second bill, the Child Care Services Improvement Act, which I introduced with Senator Orrin Hatch, is equally important because it addresses an entirely different facet of the issue and the problem that faces us. It aggressively and broadly expands the supply of quality child care.

Each of these bills addresses an aspect of the challenge that the current crisis in child care poses, and which your subcommittee considers today. Together, they attack availability and affordability, which must be linked if we wish to help low-income families and enable all people to fulfill their responsibilities as employees and parents.

Nevertheless, there is another question that is only now clearly rising out of the day care debate that all of us must answer if we are truly concerned about the health of the Nation's children. We have to ask ourselves what kind of policy best addresses the interests of the child, not just the working parent, who has been the focus of the debate to this point.

Currently, there are over 100 child care bills making their way through Congress. Only a few question the assumption that working parents need to be out of the home 9 to 5.

Workers today, women and men, have family responsibilities that cannot be ignored if we are to both promote healthy families and maintain the high standard of living, the level of productivity that keeps America strong and competitive, that demands that women be in the work force.

To foster the healthy development and protection of children, we must support the expansion of and aid the diversity of child care services. We must assure buying power for low-income families, educate parents in choosing and monitoring care, and trust parents to choose the environment that assures their child's well-being. But we must also attack the assumptions that drive the demand for care, and that is the new issue that I think is beginning to emerge now in this debate, and one that I hope you will examine closely.

In my testimony, I describe my original bill, H.R. 1572 at greater length, and how it zeroes in on affordability. I will not repeat my written remarks in the interest of time and out of deference to the others that wish to testify after me. I just remind you of that initiative because it is an essential piece of the solution.

I also describe at some greater length the Hatch-Johnson initiative, the Child Care Services Improvement Act, because it expands supply much more aggressively than the ABC bill.

As an urban legislator who has been a proponent, first as a State senator and now in Congress, of a number of initiatives to expand jobs in areas of high unemployment in our cities, I know that we can leverage the development of a sector through a variety of ways. And we must not let this debate in Washington here concentrate entirely on expanding day care opportunities that are school-based, as important as they are; that are nonprofit sector based, as important as they are.

We also need to help small businesses to get into the business of day care and to stay in the business of day care. We not only need to make the grants available to help them in, just as we have in many small business initiatives, but we also need to break some of the barriers to creating new day care businesses. And your committee is the first committee that I've testified before that actually has some of the power to do this.

We need to relieve small family-based providers from the tax requirements for quarterly payments. That's simply too much for home care providers to cope with, and many of the small day care businesses that are very desirable because they care for a small number of children.

I would call your attention to the need to not only simplify the tax forms and reporting requirements for family day care homes, but also to their payroll tax requirements. Currently, family-based providers are required to pay both the employee and employer's portion of Social Security taxes, a very heavy burden for an industry that has a very narrow margin of profit.

I would also urge you to either deal with the liability insurance issue, by requiring States to set up risk pools with some subsidy to providers so that would-be providers will not be discouraged from entering the market through lack of insurance.

I see Congresswoman Kennelly from Connecticut, who has joined us, and who is a big advocate of, and very successful in other areas of this kind of risk sharing. I wish to translate that into the area of insurance for day care so that we can guarantee providers that they won't be subject to the fluctuations of either cost or availability of liability insurance that has been so destructive to the day care sector in the past.

Many home care providers and centers went out business several years ago at the peak of the liability insurance crisis. I would urge you to look at issues like liability insurance that are not strictly day care proposals of doing business so that we can expand the day care sector, not only through the public sector, but also through the private sector. Government can never have a sufficiently broad presence no matter how much we fund public facilities in the rural areas, and even in urban areas where working poor live in large numbers.

So I would remind you that the Child Care Services Improvements Act does stimulate expansion of supply much more broadly than does any other initiative. And I hope that you will support that kind of approach to supply stimulation.

But before I turn to the new question that I referred to, I do want to say that I strongly support the Tauke proposal, which my colleague from Iowa will go into in more detail. The Tauke bill effectively brings forward my approach in H.R. 1572, with its attack on affordability for low-income families, the Child Care Services Improvements Act effort to expand availability. In addition, it puts forth a very important consideration, and that is the policy initiative that begins to lay the foundation to empower parents to make the decision to be the provider of choice.

As we get into this area of subsidizing day care, we must not bias it toward out-of-home care. And the Tauke proposal does begin to lay the policy foundation parents a real choice about who cares for their children.

But any strategy that addresses affordability, availability, quality and empowerment of parents to choose themselves still falls short. We also must attack the 9-to-5 rigid mindset that governs our workplace and forces parents and children apart 5 days a week. Now, this is a very important issue.

When we became conscious of safety issues in industrial manufacturing settings, we adopted laws that caused the workplace to accommodate and make them safer. As we learned more about environmental quality, our laws responded to environmental concerns. Now the workplace must respond to the reality that many of their workers, male and female, have very significant parenting responsibilities. And it's not going to be enough to provide day care assistance. It is only going to be enough if employees are empowered to manage their work so that they meet the productivity criteria and obligations to their boss, and meet their parenting responsibilities to their child.

Now, this may sound far out and radical, but it isn't. We provided targeted jobs tax credits to induce employers to take on employees who were very difficult to train. I am in the process of preparing legislation that will provide similar kinds of aggressive subsidies specifically and narrowly targeted to those employers who empower their employees to manage their work responsibilities so as to reduce the number of hours of out-of-home care. If an employee reduces the number of hours of out-of-home care by 20 percent, and works 4 10-hour days instead of 5 8-hour days, the employer would get recognition for that, significant financial recognition.

Until we can change the mindset that governs our workplace, we are not addressing the whole problem. Reducing the demand for out-of-home care is better for children, better for parents. And this issue of children's need must be addressed not only in terms of care availability and care quality, but reducing the quantity of out-of-home care.

I've talked to many young women in my district, and we talk about affordability and we talk about quality, and I talk to women who have found just the right care setting. Then they say to me, but you know it's so hard to leave her every morning.

We're asking the young women and young men of America to make the wrong decision. We want to help them so that if they have to make a decision, they can make a good decision relative to the circumstances. But we have to shake this tree of assumptions that govern the workplace and it's really only a few years that we have to shake old assumptions loose. It's only until children go to kindergarten that parents have the most critical problem.

I will get my proposal to you in the very near future. I think it's a good one. I think it's the final piece of a debate. And I am proud to sit here, frankly, as a Republican, and tell you that I have an initiative from 2½ years ago, I have an initiative from a year ago, that the Tauke proposal goes beyond my thinking, expands my thinking to not only address affordability and availability, but empowerment, and that I have another idea that also addresses empowerment, and that's the way it should be.

There should not be one bill at the beginning of a debate that answers the issue. As good as the input was to the ABC bill and to the Hatch-Johnson bill, to the proposals of the past and the proposals of the present, we have to expand our thinking to address today's realities.

This is a challenge that is systemic to our society. We will not be competitive in the future, we will not have an economy that can support Medicaid and Medicare and cleaning up Super Fund sites, and Customs officials at the dock, that are sophisticated enough to differentiate between counterfeited products and American patented products, unless we have a strong economy that has a high GNP. And to do that, we've got to have women working alongside men.

So we're beyond the issue of should women be working. We're into the issue what do children need if their parents are working? They may not only need quality care, they need a workplace structure that allows parents to be with them on important occasions and during more of the days of infants' and toddlers' lives than the 9 to 5, 5 days a week, everybody at their desks mentality allows.

So I challenge us to go forward with this very much broader challenge in mind. And I thank you for your attention and I yield to my colleague, Mr. Tauke from Iowa.

[The statement of Ms. Johnson follows:]

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STATEMENT OF THE HONORABLE NANCY L. JOHNSON
BEFORE THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
HOUSE COMMITTEE ON WAYS AND MEANS
JUNE 9, 1988

Thank you, Chairman Downey, for the opportunity to testify before the Public Assistance and Unemployment Compensation Subcommittee on the Child Care Needs of Low Income Families. Affordable, accessible child care is an especially important and pressing need for low-income families: I commend you for holding these hearings, for low-income working families are the one group that federal policy has consistently ignored.

You know the new demographics of the workforce: that the number of mothers of young children working has more than tripled since 1950. You have heard that the number of working women will have to increase if we are to forestall a labor shortage at the turn of the century and have read the Secretary of Labor's Task Force report on child care, which tells us that women will comprise over three-fifths of the new entrants into the labor force between 1986 and 2000. You are well familiar with statistics on the "feminization of poverty," that tell us families headed by a woman are at great risk of being poor.

All of this means that women working is not only the norm in today's society, but the strength of our economy in the future depends upon it. Child care is not a choice or a luxury, but a matter of economic survival for our people and our nation. It also means that the changing role of women in the workforce is changing their role in families and forcing some children to forgo the sense of stability and security that most traditional family units used to provide.

I have been involved in the child care debate ever since I was elected to Congress and before that, as the chair of an oversight committee of the the Connecticut state senate that conducted a in-depth review of all aspects of the child care issue in 1981. I have come before your subcommittee on other occasions and discussed my first child care proposal, directed specifically at the needs of low-income families. H.R. 1572, the Child Care Act of 1987, is still in my estimation, the best proposal to meet the day care needs of the working poor and should be a part of any broader child-care legislation. It attacks the issue of affordability head-on and provides income-related subsidies to assure that working low-income families can afford day care.

My second bill, the Child Care Services Improvement Act which I introduced in February with Sen. Orrin Hatch, addresses an equally important facet of the child care issue and is complementary to H.R. 1572. The Child Care Services Improvement Act aggressively and broadly expands the supply of quality child care.

Each of these bills address an aspect of the challenge that the current crisis in child care poses and which your subcommittee considers today. Together they attack availability, affordability and quality and help low-income families and enable all people fulfill their responsibilities as employees and as parents.

Nevertheless, there is another question that is only now clearly arising out of the day care debate that all of us involved in this issue must answer if we are truly concerned about the health of the Nation's children. We have to ask ourselves, what kind of policy is in the best interest of the child, not just the working parent.

Currently there are over 100 child care bills making their way through the Congress. Only a few question the assumption that working parents need to be out of the home from nine to five. Workers today -- women and men -- have family responsibilities that can not be ignored if we are to both promote healthy families and maintain the high standard of living and the level of productivity that keeps America strong and competitive economically.

To foster the healthy development and protection of children we must support the expansion of a variety of child care services, assure buying power for low-income families, educate parents in choosing and monitoring care, and trust parents to choose the environment that ensures the child's well-being.

H.R. 1572 zeroes in on affordability, availability and quality in child care for low-income, working-poor families. While the very poor currently are eligible for assistance under the Social Services Block Grant, and the affluent benefit the child care entitlement provided by the Dependent Care Tax Credit, families who struggle to survive at incomes just above welfare receive no help at all.

The bill provides $300 million for child care certificates for use in licensed or accredited day care centers and homes. Eligibility is limited to families with income below 200 percent of the federal poverty index (slightly more than $22,000 for a family of four). It also contains a hold-harmless provision, through which underground providers are given amnesty during the licensing process so as not to disrupt the continuity of care.

To pay for these reforms H.R. 1572 phases out the Dependent Care Tax Credit for upper-income families beginning at $60,000 and eliminates the credit completely for families who make over $69,500 a year. You used this idea in H.R. 1720, the Family Welfare Reform Act, and I know that you agree that while a good case can be made to assist all families with the cost of child care, a more compelling case can be made to first assist families on the basis of need.

The Child Care Services Improvement Act would expand the supply of day care services, a strategy we must adopt if we are to increase options for low-income families and eliminate the lengthy waiting lists (in my area some are as long as two years), that plague families whose only option is a government-subsidized center. The bill authorizes a block grant of $250 million to start up or expand licensed or accredited child-care programs sponsored by municipalities, nonprofits, small businesses, educational institutions, and others. It will also fund certificates or scholarships to low-income families, community or employer-sponsored programs, sick-child programs or after-school care, with each state or locality directing funds in accordance with their priorities.

The legislation encourages underground and new family-based providers to join the regulated system. It authorizes $25 million for state-administered revolving loan funds to help small providers to finance home improvements necessary to become licensed.

The Child Care Services Improvement Act aggressively fosters expansion of the day-care sector by breaking down barriers to going into the day-care business. It eases the tax burden of family-based providers, by allowing them to pay one-half of the payroll tax (currently they are treated as self-employed individuals and required to pay both the employer and employee side of the payroll tax), and by replacing the requirement to file quarterly income taxes with an annual filing requirement. It also eliminates the liability insurance barriers that have discouraged prospective child-care providers form entering the profession, dissuaded businesses from sponsoring centers, and forced existing providers out of business. It assures both availability and affordability of insurance by clearly delineating provider liability and by distributing $100 million in start-up funds to states for risk-pools.

Finally Mr. Chairman, the Child Care Services Improvement Act begins to ask the question I alluded to earlier: how to eliminate the cultural assumptions that drive the demand for day care today.

Before I turn to this issue, let me say how strongly I support the Tauke proposal because it effectively adopts the approach of H.R. 1572 and the Child Care Services Improvement Act to aggressively address availability and affordability of child care. In addition it begins the process of enabling parents to choose themselves as the provider of care of preference.

But Mr. Chairman, any strategy to successfully address the child-care crisis should not only provide financial assistance to needy families, stimulate the supply of services, and better educate parents as consumers, but must go beyond meeting the demand for child care and address the fundamentally unhealthy, rigid nine-to-five mindset that forces parents and children apart five days out of seven. To assure strong economic growth as our way of life demands and to build strong families we must advocate policies that both keep families together, and keep them employed.

Consequently, Mr. Chairman, I am introducing and urge you to consider a bill modeled on the Targeted Jobs Tax Credit that will reward employers specifically and narrowly for allowing employees to manage their work responsibilities so as to reduce the number of hours of day care their child or children need. This will reduce the demand for care by breaking the nine-to-five driver of demand for day care. It is better for children and better for parents. It will help force the workplace to adjust to the fact that many employees have important parenting responsibilities -- just as the workplace adapted to safety and environmental concerns.

I am a small employer. Of my nine employees two work radically different hours that allow them to be home a great deal more than the nine-to-five straight-jacket that constrains all too many parents' work lives. Such modifications of schedule can be adopted without reducing productivity but unless we push and empower employees to negotiate such accommodations, we will not succeed in addressing the concerns of children in an age of working parents.

All of us recognize that an investment in our children today is an investment in the future of America. The objectives and the impact of the program that we will ultimately pass -- and I believe we can and should pass a comprehensive child care program this year -- will shape the development of the next generation. We need a strategy that supports working parents without short-changing children. Thank you again, Mr. Chairman for the opportunity to testify this morning.

STATEMENT OF HON. THOMAS J. TAUKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. TAUKE. Thank you. It is good to be with you and Congresswoman Kennelly. I apologize for being late. I had an amendment up in the Energy and Commerce Committee and could not get down here, but I am pleased that we live in a time when men are liberated enough that we, too, can champion the child care issue.

I am the ranking Republican on the Human Resources Subcommittee of Education and Labor and we have spent a lot of time listening to testimony over the last several months on the child care issue, and it is interesting, at least for me, how much one can learn by listening to the testimony, and I commend you for going through this exercise.

I just want to share a few thoughts about what I have learned before talking about the principles that I think we need to follow as we develop child care legislation.

First, it is very clear that there is a great deal of diversity in the marketplace now, the market that does provide child care. We have a lot of parental care, we have a lot of formal day care centers, we have centers that are provided by profitmaking organizations, by nonprofitmaking organizations, and parents are choosing from a whole variety of child care services.

The second thing that is interesting is that, while it is clear that the average expenditure that the parents make for child care when that is provided outside of the home is about $2,000, the standard of deviation is really significant. We have some parents who are paying $5,000 or $6,000 per child for child care, some who are paying next to nothing, and so there is a wide variation in what is paid, and that average statistic I think tends to obscure that fact.

I think it is also important to note that the people who have the biggest problem with child care are lower income parents, particularly lower income working parents who happen to be single. They obviously are more likely to use relatives for child care, they are less likely to pay much for child care, they are more likely to use churches or nonprofit organizations, less likely to use the higher cost alternatives.

Lower income parents who do pay on average, as I indicated, pay substantially less, but obviously that smaller amount that they pay represents a much larger percentage of their income, so they are putting a bigger proportion of their resources into this issue.

As a result of all of that, it seems to me that our attention needs to be focused on the lower income parents when we talk about child care and that unfortunately has not been the trend in Federal policymaking.

Right now, our present governmental involvement is very poorly targeted. As you know, upper income taxpayers receive a disproportionate share of benefits under the dependent care tax credit in the code, and it is really scandalous when you look at the chart about the way those benefits are distributed. You and I can receive a good chunk of change out of that, but my single parent in Dubuque, Iowa who has two children and $13,000 of income gets zilch out of that.

The second thing that is clear is that the Headstart and title XX assistance is primarily available only to the very poorest of the poor and that is good but it still leaves a big gap in there for low-income working poor, so the working poor as a result receive little, if any, assistance under current law.

With that in mind, then, what kind of principles should we follow in considering legislation? First—and maybe this seems obvious, but I think it has to be stated and restated again—we should be trying to provide assistance for children, have children foremost in mind, and I say that it should be obvious that it is not, because when you look at the testimony that is present, at least in our subcommittee, we hear a lot about how we are going to help parents, we hear a lot about how we are going to help providers, that it is pretty hard to find much testimony about what we are going to do to or for children, and so I think we have to keep in mind first children.

Second, it seems to me that we should be expanding options, not limiting choices. Every time that we consider legislation, we have to think, now, how many kinds of care and how many parents are going to be helped by this and how many are going to be driven off the chart. For example, some of the legislation which provides care to providers or provides assistance to providers obviously has the problem that immediately then you get into this question of Government entanglement. If, for example, you give assistance to churches, then you run into troubles, and so providing care to providers tends to limit our choices and options, rather than expand them.

Second, we need to remember that we should not disrupt the market by rewarding only parents who choose a certain kind of care. We all have biases about what kind of care we might think is preferable, but if we direct our resources that way, we disrupt the market.

Third, we have to be careful that we don't drive up the cost of care. We all want to do wonderful things, but we have to be careful that in doing so we do not drive the cost of care up so high that the people who need the help the most, the low-income working parent, is hurt.

Finally, it seems to me the thrust should be—and this is the total conclusion—is we need to empower parents to be able to make choices for their children, rather than try to create a bureaucracy that will deliver day-care services—and I repeat that again, empowering parents to make choices for their children should be the key goal, because we find that a lot of low-income parents would love to have alternative choices but they do not have the resources to make them.

The Choices in Child Care Act, which I introduced yesterday, tries to meet these goals by first providing a tax credit to low and moderate income parents with young children. I will not go into all the details, but essentially we are saying if you have adjusted gross income of $40,000 or less, that you should be able to get a tax credit of up to $400. That tax credit goes to you, whether or not you—no matter what kind of child care you have for your children, we do not ask whether you are working or not working, we say we are going to provide this assistance to all families.

Second, we recognize that we have a lot of people out there who have special needs. If you are a single parent and you have two children and you have $13,000 of income, you have got a problem. If you are going to work, you have to purchase child care, probably outside the home, and it is expensive, and a $400 tax credit, even though ours is refundable, or $800 for two children, is not probably going to cut it, and so we establish a block grant to the States which we fund at $400 million, with the 30-percent match from the States, so $520 million, put a pool of money out there for certificates, given to parents which they can then use in paying for the care of their choice.

Third, we provide block grants to States to use for a variety of purposes, but basically to strengthen the child care market and to address the issues of availability and quality of care, and finally we have a series of incentives to businesses and small providers to expand supply.

For us at the Federal level, I think there are two fundamental questions that are being presented by the legislation before us now: First, do we want to give the money that we are spending, give the resources to parents so they can make good choices for their children, or do we want to build an infrastructure in the country which probably is not going to provide services to those who need it the most.

The second choice we face is whether we want to put money out there that kind of goes scattered among the higher income, middle income and lower income people, or whether we want to take those resources that we have and try to target them toward those who really need the assistance, and that is essentially the people who are in a $40,000 and below level, particularly the $20,000 and below level.

Now, our legislation says that we are going to target the assistance to parents and we are going to give it to the lower income parents, and I believe that that is the right answer.

I might just say in closing that the measure that we have does away with the dependent care tax credit, so we pick up obviously a good chunk of money from that, but our total net cost is about $7 million over 5 years. That is a fairly substantial commitment, but it seems to me that if you are going to deal with the problem in a comprehensive sort of way, that you have to make at least that kind of commitment. If you can find a better way to do it, we certainly will encourage that, but we wanted to offer the work that we have done to help you along in your thinking as you look at this legislation.

I have submitted more in writing, but this will suffice for now. Thank you.

[The prepared statement follows:]

Statement of The Honorable Tom Tauke
Member of Congress
Before the Subcommittee on Public Assistance
and Unemployment Compensation
June 9, 1988

Thank you, Mr. Chairman. I appreciate the opportunity to appear before you and Members of the Subcommittee on Public Assistance and Unemployment Compensation to discuss the issue of child care needs of low-income families.

As the Ranking Republican on the Subcommittee on Human Resources of the Education and Labor Committee, which is presently considering legislation in this area, I have spent a great deal of time investigating the child care issue and contemplating the appropriate role of the Federal government in this area.

The Subcommittee on Human Resources has held two days of hearings on the issue of child care and heard over twelve hours of testimony. Frankly, from the testimony that we received, one could conclude that there was either an absolute crisis in child care that only a massive infusion of Federal funds could possibly begin to address or that American parents have absolutely no problem in finding and affording quality child care and the Federal government should do nothing. As is almost always the case, the truth undoubtedly lies somewhere in between. It is our task on the Education and Labor Committee and your task here to determine what that truth is and what, if anything, the Federal government should do about it.

Estimates of the average cost of child care vary widely. Unfortunately, some questionable statistics that overstate the child care problem are commonly accepted. This is particularly disturbing because we do have fairly good data on actual expenditures on child care and on child care arrangements currently being made by parents.

The most complete data on expenditures on child care that we have available is from the Census Bureau survey from the winter of 1984-85. This data indicates that median expenditures on child care by those paying for care was $38 per week or just under $2000 annually. This does not include the approximately 20 percent of care that is provided free of charge.

Another national survey, the National Longitudinal Survey of Youth reflects similar average weekly expenditures by mothers paying for child care -- about $36 per week in 1985. (The National Longitudinal Survey of Youth samples a somewhat younger, and lower-income population than the broader Census Bureau survey.)

We also know from existing data collected through the Survey of Income and Program Participation (SIPP) that low-income parents are less likely to pay for child care and are more likely to rely on relatives than higher-income parents. A very small percentage of low-income parents choose day care centers. Further, when they do pay for child care, low-income parents typically pay less than higher-income parents. However, low-income parents pay a much greater proportion of their income on child care than do higher-income parents.

The National Longitudinal Survey of Youth reveals that in 1985 mean weekly expenditures on child care among the non-poor were $38.28 per week, or 8.83 percent of income, compared to mean weekly expenditures of $25.02 per week among the poor, which represented 22.55 percent of their income.

In assesssing expenditures on child care by AFDC recipients, it is also interesting to note that the average amount claimed for the income disregard is only $102 of the allowable $160 per month. SIPP data also indicates that only 40 percent of employed mothers that are receiving AFDC pay for child care.

The issue of availability of child care should also be investigated. I believe that the available research clearly indicates that supply of child care has kept pace with increasing demand. Surprisingly, supply has increased dramatically without substantial increases in the cost of care. In general, research also suggests that parents are satisfied with their child care arrangements.

Some proponents of a greatly increased role for the Federal government suggest that there is a huge shortage of child care because the number of licensed slots falls far short of the number of children with working mothers. This, of course, ignores the vast number of informal, unregulated child care that is being provided. Counting the number of licensed slots simply tells us how much of child care being provided is regulated. There is also no solid research to suggest that unregulated, informal child care is of inferior quality than regulated care. In fact, just the opposite may be true, especially for infants and toddlers.

Before this Congress rushes to enact new legislation in the area of child care, I believe it is important to review existing policies and programs that address the child care needs of parents. According to the Department of Labor, we are presently expending nearly $7 billion a year in support of child care.

These expenditures, however, are poorly targeted. The dependent care tax credit, the largest federal expenditure, is disproportionately used by middle- and upper-income taxpayers. Very little of this benefit is available to low-income parents. Flexible spending accounts also benefit higher-income taxpayers significantly more than low-income parents.

I believe that it is essential to better target the limited resources that we have available to serve those who most need child care assistance. This can be accomplished by refocusing the existing tax breaks for child care to lower-income families. Yesterday, I introduced a bill to do just that. Further, my bill provides for additional assistance to help low-income, working parents meet out-of-pocket child care expenses.

Several measures have been introduced to address the child care issue. Many of these merit our consideration, and two fundamental policy questions should be asked when reviewing these measures. First, does the measure assist children and parents, or does it assist the child care industry? I believe that we should direct assistance to families, not to a new bureaucracy.

Secondly, does it expand child care options, or does it narrow options and dictate choices for parents about the care of their children? Currently, parents choose from a variety of child care options, and the child care market reflects enormous diversity. I am concerned about child care proposals that would significantly alter the make-up of the child care market by rewarding parents who choose only those child care arrangements that are promoted by the Federal government. We should direct assistance to parents, not to a new bureaucracy.

Finally, child care proposals should be assessed in terms of their impact on the cost of child care. I am concerned about proposals that will impose new, extensive regulations on the child care market. It is quite clear that greater regulation will increase costs. It seems ironic to me that those who argue that child care is already unaffordable for many parents are supporting legislation that will unnecessarily drive up the cost of child care.

The child care issue is a sensitive one, and I encourage you to move cautiously in this area. Thank you again for the opportunity to address the Subcommittee. I would be pleased to answer any questions.

Acting Chairman Downey. First of all, let me thank both of you for the work you have done in the past and the good suggestions that you have given us this afternoon. I agree with you, we are not going to solve this problem as a partisan matter, although we have some differences, some serious differences, as to the amount that it is going to take to deal with the problem. I think we can all appreciate the fact that more has to be done. The question is how do we do it.

Nancy, I want to ask you one question about your experience as a State legislator and this issue of licenses and to what extent the States should be involved in making sure that the care in the State is adequate and whether or not that should be a State or a national responsibility or no one's responsibility.

Ms. Johnson. Thank you. I would very much like to comment on that. First of all, I think there should be standards, and I think the role of the Federal Government should be to provoke the debate in the States and to require the States to set standards. Not only should we provoke the debate and require debate, but we should also prepare model standards to stimulate that debate.

Now, as a State legislator, I can well remember the influence of model legislation. It is what committees judged themselves by. If they were going to deviate from model standards, then they had to have a good reason because decisionmaking took place in the public arena. But if standards are set by the Federal Government, we run some very serious risks. Let me just tell you what the risks will be for Connecticut, as I say, a progressive, high-standard State under the ABC bill.

First of all, we would have lost all access to Federal support three times in the last three years. The ADC bill has a provision in it that parallels and echoes the provision that we have in environmental legislation about degradation. If you lower your standards, even if they are above the national standard, you lose eligibility for funding.

Now, we would have lowered our standards under their definition three times in the last few years. We went from annual inspections of home care providers to once every 5 years unannounced. That is a lowering of standards, by anyone's measure, and would have knocked us out of eligibility for Federal funding. We allowed our home-care providers to take two more latchkey children, because we have had very stringent standards for home care, it was economically necessary and it was humanly responsible. We would have again lost eligibility for funding. The degradation provision in the ADC bill is very dangerous for high standard States. It takes away from them their right to do what they think is in the interests of parents and providers and children.

Second, the definition of afterschool care in the ABC bill is a disaster. To be eligible for Federal subsidies to provide afterschool care, workers have to be able to provide counseling and basic skills training. Now, our home care providers—who make up a majority of our infant care providers—would go out of business if they could not take latchkey kids. That is why we added two more latchkey kids.

So if you make a mistake in your definition of afterschool care and you knock out latchkey kids from the home care provider option because they cannot document that they can provide counseling, which of course they could not, then you not only reduce the options for afterschool care, you eliminate the option, the primary option for infant care. This is the danger you run from the Federal level, but also from the point of view of what is good for the kid.

There are some 7-year-old boys that frankly do not need an afterschool care program. They are not good at team sports. Afterschool, because you have big groups of kids, you are going to take them to the gym and you are going to do a lot of team sports. Some little boys are better at running home in the neighborhood and climbing trees, being on swings, riding bikes, and it is not always good for the child to be in a competitive sports situation. All it will tell him is he is a failure.

So it is important that States retain the power to set standards and modify standards. In Connecticut, with licensure, in spite of our long, honorable record of commitment to it, there is not anyone in State government in Connecticut that will tell you that more than half of our providers are licensed.

Now that we have gone to a 20-percent spot-check system we are not even monitoring licensure very well, and on this point I want to tell you that the North Carolina study does not demonstrate that there is more abuse in home-care providers. If you look at the number of abuse cases versus the number of providers they investigated, the percentage is lower. I will get that back to you, because I have read that study because I was concerned when I introduced my legislation, whether it was saying something that I needed to hear. But I do not believe that the statistics from that study are clear or proved that home-care providers are more abusive than center-based providers. It is true that——

Acting Chairman DOWNEY. I think the question was whether or not they were licensed and regulated ones versus unlicensed and unregulated ones. I do not think it is simply a question of center-based care versus home-based care.

Ms. JOHNSON. My mistake. You are right, Mr. Chairman, but my statement is true, although I used the wrong words.

Another provision in our legislation which is very important is the provision that allows unlicensed or unregistered family-based providers to continue to serve families while they become licensed. If you require them to go out of business and stop providing care in order to become licensed, then they will not bother and will continue to provide care. You will never crack this issue of the unregistered and unlicensed family day care homes. This is a subject that is extremely important to us, but it is——

Acting Chairman DOWNEY. Let me just try to focus this, because we have got a lot of witnesses.

Ms. JOHNSON. OK.

Acting Chairman DOWNEY. The answer is what, that you would require a license?

Ms. JOHNSON. The answer is there should be standards and they should be set at the State level and the Federal Government's role is to leverage that debate and to set out model standards.

Acting Chairman DOWNEY. What if the State does not set the standard?

Ms. JOHNSON. Well, I do not think Federal money should go to providers that do not meet standards of licensure or certification. Certification is very important because certification is a voluntary system and you should not force underground providers to be criminals.

Acting Chairman DOWNEY. Tom, do you agree with that?

Mr. TAUKE. May I comment briefly on that? I think that there is a lot of difficulty with this whole question. I have great concern about the Federal Government setting standards. The reason essentially is this, that there is a real balance that occurs. The higher the standard that you set, the higher the cost and the higher the cost the more you drive underground, and the States that allegedly have the best licensing system also have a very big underground network.

Now, if you look especially at what happens then to the lower income parent, they are the ones who are forced underground because of the high cost of the services that are being provided in the centers that meet all the standards, so you have a balancing act there that you need to deal with.

The second concern that I have is that it is very difficult to figure out what is good nationwide, what works in new York City probably is not going to work so well in Dyersville, Iowa, and we have just a whole lot of different settings, much different relationships between parents and care givers, you know who the people are who are providing the services in Dyersville, where you may not in Washington, D.C. or New York, and that sets up much different situations, and so trying to do it nationwide is very difficult.

The last point I would make is that in our studies of this issue, we have just found that there is a lot of misinformation out there about the relative amount of complaints that you have and the relative amount of abuse and so on. For example, in the North Carolina study that was just cited—I do not want to pick on anyone because of it, but in the North Carolina study in the 3-to-1 thing, they were counting complaints, not determinations of abuse. When they looked at actual determinations of findings of abuse and neglect, they found it was about the same percentagewise in the licensed as well as the unlicensed centers.

Acting Chairman DOWNEY. Let me ask you a question. In your testimony, you made mention of the need to give parents greater options, and I think all of us sense that that is the way we should go. We should not bias this one way or the other. Can you cite for me the way the existing law might create a bias? Do existing patterns of programs encourage use of center-based care? Admittedly, there is not much more than the dependent care credit and title XX, but it seems to me, with all due respect to some of the conservative commentators—I am not suggesting that you are they—that there is somehow a belief that we desire to institutionalize children in center-based care. That is not my interest and I do not know that it is anybody's interest. We just want to make sure that parents have options and that there is the money for them to provide the options. Can you give me some idea——

Mr. TAUKE. I think the option question goes to two sets of issues: The first set of issues is do you provide any assistance to the parent who decides to stay at home and watch their own children, take care of their own children. Initially, I will tell you frankly, initially I said that is not an issue that we need to deal with, but then I had, as I had town meetings in my district, I started talking to mothers who said, "Well, my husband makes $14,800, and I have two children, and if I go to work I can get some assistance for child care, but if I stay home, nobody gives me anything, and I want to stay home but you aren't letting me do that." That is an interesting perspective and that is one of the reasons why we focused in the tax credit as part of our bill, you know, it is a lot of money but that is an issue of choice, whether or not we should provide some assistance for those who want to stay home, especially for children during the first couple of years of life, especially the first year, because that is obviously the best option, the first year.

The second thing, the second area of choice comes to this issue of what kind of facilities can you put your children in, is it only the facility that is eligible for direct assistance from the Federal Government. Now, there, just for example, if you say that, you take out a big chunk of facilities that are provided by church-related institutions, because if Federal money goes to them, you have the entanglement problem, and I do not see how you get around that constitutional thicket.

Interestingly, in a city like Washington and most inner cities, most of the lower income families who have child care are getting it from church-based centers, and they are probably fairly decent centers but they would be out of the loop, so you do not want to put like church-based centers out of the loop, or take the option of having the child stay with a neighbor out of the loop and saying that is not good, when maybe that is a lot better than taking your child to a center, so that is what we are saying.

Acting Chairman DOWNEY. I agree with that. What about making the dependent care credit refundable, would that be——

Mr. TAUKE. I think that is a giant step in the right direction, but understand that if you have $13,000 of income, that it is going to be awfully tough to spend $2,000 or $3,000 for child care, so if you cannot spend the money for child care, even at 30 percent, if you spend $2,000 and you get $600 back, that is not going to do a lot of good.

The second thing is that if you have $13,000 of income, you probably do not have a lot of money up front, and so you have got to cough up the funds first and then wait until next year in order to get it, and most of them are not in that kind of position.

Acting Chairman DOWNEY. We could change the method of withholding for people so that they——

Mr. TAUKE. Yes, except if it is refundable, yes, that might be able to work.

Acting Chairman DOWNEY. Or you could also——

Ms. JOHNSON. Can I just address this issue of choice, too?

Acting Chairman DOWNEY. Yes.

Ms. JOHNSON. One of the other difficult choices that the licensure issue touches on and may compromise, is the issue of relative care. I think people ought to be able to pay their elderly mother, their grandmother, or their sister, because that preserves your power as a consumer and hers as a provider. If you are paying that person you have the power to move and choose a different providers. But relatives do not want to get licensed because they are not going to take care of anyone's children but yours. The option of relative care and also of immediate neighbor care, because often that provides a continuity of structure for the child and has some very good advantages for the parent, and again the neighbor will not necessarily get licensed. That is why we allow registration in our provision.

I do just want to say that in my State of Connecticut, that is so dedicated to licensure, we had no licensed home-care providers for low-income Hispanic children until recently. Hispanic families did not want to put their children in non-Hispanic homes, so we had to set up a special voucher program that allowed public funds to flow to unlicensed Hispanic homes. You ought to be aware that an overly strict licensure system will restrict eligibility for subsidies for low-income Hispanic and black families. because it will restrict neighbor care and parental choice.

Parental choice can be a more powerful weapon than it is in today's society. We neglect our responsibility to educate parents about how to choose and how to monitor care, and that could be a stronger element in this whole system of quality enforcement and quality care than it is today. While the ABC bill does a very good job of enforcement, and I think the Hatch-Johnson bill does a good job of educating parents, it is actually not enough. We have to find a much more aggressive way to educate parents about how to choose and how to monitor.

Acting Chairman DOWNEY. Let me ask you this, because you raised it. Talk about a conservative fire-storm, the idea that you are going to provide a dependent care credit to a mother who decides to stay home, would you do that?

Ms. JOHNSON. Yes.

Mr. TAUKE. We give the tax credit. In a sense, Mr. Chairman, that debate came from two perspectives. One was that debate generated by the 1986 tax bill, about whether or not families with children were overtaxed, so that was one source for that title of the bill. The second source was this question of whether or not you should do something to help parents who want to stay at home for the first year of their child's life or the first 2 years or whatever, so that is the nature of this or the crux of this.

Acting Chairman DOWNEY. Both of you have given us a lot to think about and I am intrigued again by the bipartisan nature of this and the thrust that there is something that we desperately need to do for working poor families. These are people who do not fit into the system. We have many children who have parents who are working but still fall below the poverty line and deserve a little bit more attention than we have given them over the years. One idea is to make the child care credit refundable. We will take a look at your proposal, Tom, because I think it is very important to use a mixture of the Tax Code and possibly Government grants, and also I think we should consider an expansion of the earned income tax credit, just to make sure that people at lower income levels have more money.

Mr. TAUKE. That is not in our bill, but I think that is a good idea.

Acting Chairman **Downey**. I think it is something we have to face as well. Again, I thank you. It has been very helpful.

Mrs. **Kennelly**. I know this has gone on for quite a while, Mr. Chairman, so I will be short.

Ms. Johnson, obviously you prefer to have State standards, rather than Federal standards, and I keep trying to wrestle you over this. I think we differ a little bit on the amount of public safety that should be required, but at the same time you say you prefer State standards. Do you not in fact in your bill allow unlicensed day care centers to receive funding for 2 years before they have to comply with the State?

Ms. **Johnson**. Well, I chose the 2 years, Congresswoman, because, you see, if you pass a Federal law that says you have got to meet standards, either license or certification, then legislatures have to pass those standards and then people have to comply. So if you limit—I mean the ideal provision would be 2 years from the time of passage and then, you know, a year thereafter or whatever. You do have to allow some time for a person to realize they have got to be licensed and then go after the license, and licensure in some States takes quite a while because the bureaucracy is slow. You do not want to force people to suspend services until they get licensed, because then you interrupt the continuity of care and they will make the decision not to go for licensure. I mean they will just keep providing care underground.

In order to bring them out from underground, you want to give them a sense of period of amnesty. I am a lot more flexible on that provision than some have understood. I chose 2 years because some States will have to legislate this and then bring providers into compliance. You know what it took for us in the new immigration bill to make people realize that they had an opportunity for amnesty. When you are dealing with the unlicensed sector, it takes a long time to contact them and let them know that they have to take this chance or the people who are using their services will not be eligible for very important subsidies.

So there is a compromise there on which I would be happy to work with you. I just want to be sure that we do not force them immediately to make a decision that would eliminate them out. I want to keep them in the system.

Mrs. **Kennelly**. Well, I heard, Congressman Tauke, in your testimony that you accept the fact that there was a great deal of underground child care going on. I think where we differ is that I think we get this large amount of Federal funds and unless we have safeguards, we will encourage even more abuse in situations where you do not have licensing.

I cannot quite come to grips with it, Ms. Johnson, is that you are so aggressive in your testimony and so aggressive to change the flexibility of work hours for parents, and I salute you for this because I know how hard you have worked on this subject; however, I see a withdrawal of your aggressiveness to try to work something out so that we can have safety within these day care centers everywhere.

I do not want to accept, as I am beginning a whole new road of progress toward day care, to accept there is going to be an underground, there are going to be people who are not going to come above ground and do all these things, and yet all these dollars are coming in. Do you not think we should at least begin working on guidelines for public safety for children in these day care centers, rather than say, well, this is the way it is and therefore we should not have these standards there at the beginning?

Ms. JOHNSON. I think that to set those standards from the Federal level, you run very grave risk, and I gave examples of those risks. The mistakes in the standard setting that is going on in the ABC bill, the mistaken definition of afterschool care, the mistaken provision for degradation.

Now, standards, my estimation of——

Mrs. KENNELLY. Can I just interrupt for a minute?

Ms. JOHNSON. Yes.

Mrs. KENNELLY. You see, you and I come from the same State and I have sat on this committee, I have done child support where our State was way ahead, I have done welfare reform when we have been way ahead, but I have come to learn that where you can argue the fineness of very technical changes and differences, many States do not even bother to begin to do certain things and you have no concern, that yes, we always have those seven or nine States that are progressive, but there are many other States who do not even begin to do these things, will not begin to do these things because they have never been asked to do them by their State and they are now not being asked to do them by their Federal Government.

Ms. JOHNSON. Of course I have that concern, and I think we have every right to require that States do this and that it be legislative and not regulatory, so that it is in the public arena. I think we have every obligation to provide model standards, and I know from being in the State senate that where you have hearings on model standards, you will have a spirit discussion of all of those issues that must be raised, and I think that then when they are set by the State body, the State will be more aggressive in enforcing them. As Tom Tauke pointed out, in Iowa the makeup of communities are different, and because their own people know their own environment, they will have a better sense of what standards are necessary to enforce in Iowa and we in Connecticut will have a better idea of what standards are necessary to enforce in Connecticut.

Mrs. KENNELLY. Well, I think that is why we have things of this type which are left at the local level or at the State level and why they eventually come up to us at the Federal level, is they were not done at the local or the State level. You know, that we deal with in almost everything we do, so that argument is almost on every issue. If the States and the municipal governments were doing what they should be doing, we would not have to be addressing this, and this is why we are in this situation.

Mr. TAUKE. Could I just make one point, and that is that I think it is dangerous, however, to tie money to the licensure issue, saying that you have to spend the money in a licensed facility, because many parents may decide that the best thing they can do for their child is to have the child taken care of by their aunt or by their grandmother or by the sister or——

Mrs. KENNELLY. I know this is different from what we have, but I think we are coming at it from a different way. What I am trying to say is I do not want the taxpayers money spent in a place that is unsafe, and so we are coming at it and we will disagree and continue, but I am only saying, Mr. Chairman, that this is where we all come together in this type of setting, to get this on the record, is that none of us has the solution to this at the moment and that we are going to have to take some further work at least to begin—because I will be very frank with you, some States have not even begun in this area and we are going to be providing, if any of these things that we want, additional dollars for day care, and I do not think we have quite worked out what has to be worked out for health and safety, so I do not think any of us should get set into cement because there is an awful lot to be done yet.

Acting Chairman DOWNEY. I think we have agreed on the idea that the existing dependent care credit is, as Tom pointed out, disgraceful in its nontargeted nature. I think it has got to be targeted some more and more has to be done, and I think the potential refundability is certainly one area that we can agree upon.

Mrs. KENNELLY. Tom, can I put just one more thing on the record before we finish here?

Acting Chairman DOWNEY. Surely.

Mrs. KENNELLY. It is another concern that I have and was brought up in the testimony by Congress Members, and that is the experience we have had just yesterday with the home health care bill, in which it was decided that we would gain more support and the bill maybe could have more positiveness if we included children who were sick as well, and that did not quite work out, and on parental leave it was decided that we were not getting enough support because it was only for parents who adopted or had a child was included—Nancy, you and I have talked about this many times—and elderly, and that has not got us support.

I am just wondering, now, and I am just throwing this out to you to let us think about it, do you think those who say that we should provide funds for those who want to stay home is not a smokescreen to say we will get more support, but really what it is is we know we are competing forces for the moment for compelling needs of limited dollars, that that will not get us more support for day care, or do you think this is a legitimate argument to say, well, now if you are going to give day care help to those who have to work, you have to give it to those who stay home with their children?

Mr. TAUKE. If the gentlelady will look at the cosponsors of my bill, I think that she will conclude that it does bring some political support to the issue that is not there otherwise.

Ms. JOHNSON. I would also add that that was exactly my response at first, and when I participated in the task force I was convinced that as people saw what the economics were, that that provision would be dropped.

What happened was that I changed my perspective, because I do think we cannot afford in America to send the message out that choosing to stay home and care for your children is not equally important, as important as any other choice that you might make. I myself have decided that the right policy would be a $4,000 grant for children up to the age of 4. If your husband made $12,000 or $15,000, that $4,000 would genuinely empower you to choose do I work not at all, do I work half time, or do I work full time. Even under those circumstances there may be reasons why you would need to work full time, extraordinary medical bills or something like that. But we are neglecting the right of parents to decide that they will provide that care for their infant and they are far and away the best provider of care for young children.

My initiative to reduce the number of hours of out-of-home care is another approach to that same problem. We have got to do something. We have got to change the terms of the decision that young families are making, because it is not right to have your only decision of how do I provide five days a week of out-of-home care for my child.

Mrs. KENNELLY. Thank you.

Tom, before you get too confident with that number of cosponsors you have got, I just want to caution you, we have a lot of cosponsors for welfare reform. [Laughter.]

Acting Chairman DOWNEY. Thank you both.

Mr. TAUKE. That makes it more interesting.

Acting Chairman DOWNEY. Yes, it certainly does.

The committee will next hear from the Honorable Philip Johnston, who is the Secretary of the Massachusetts Executive Office of Human Services.

Acting Chairman DOWNEY. Mr. Johnston, are you technically Mr. Atkins' boss? We were just debating that here.

Mr. JOHNSTON. I'm his boss.

Acting Chairman DOWNEY. You're his boss. Oh, good! Puts you right to the top.

STATEMENT OF PHILIP W. JOHNSTON, SECRETARY OF THE MASSACHUSETTS EXECUTIVE OFFICE OF HUMAN SERVICES

Mr. JOHNSTON. Thank you, Mr. Chairman, and Congresswoman Kennelly.

I think that we've distributed a copy of my statement to you and the committee staff. About the first half of it deals with day care that relates to helping AFDC recipients move from welfare to work. I won't bore you with the recitation of our success with the ET program, however, except to say that I want to commend you and the members of this committee for the terrific work you've done on welfare reform, and your sensitivity for including a very important day care piece in that legislation. And simply to say that the ET program in Massachusetts would never have worked had it not been for what we've done in the child care area. I think the point is always worth repeating.

I'd like to focus on other matters relating to low and moderate income families and their need for child care and to try to tell you a little bit about what we've been trying to do during the last several years in Massachusetts, and hope that it might have some implications for your deliberations on the national level.

In addition to serving ET families and graduates, and we've had about 50,000 of them during the last 4½ years, the goal of Governor Dukakis' day care partnership program in Massachusetts has been to create more affordable quality child care programs for our Massachusetts working families. In reference to the last discussion, I want to emphasize the importance from our point of view of that word "quality" having standards which we would have for our own children. It seems to me we ought to expect all States to have that.

Seventeen, believe it or not, State agencies coordinated by a day care policy unit in my office, the Executive Office of Human Services, are involved in making the day care partnership work in Massachusetts.

State government's role is to, first, help communities to identify child care need and existing gaps in services at the local level.

Second, to provide technical assistance and incentives to develop new programs and to expand existing programs.

Third, to determine quality standards and to monitor those standards to ensure that children's developmental needs are met.

Fourth, to subsidize the costs of care for low and moderate income families to the extent that we can do that, and we do a lot of it in our State, and we think it's a very wise investment of the taxpayers' dollars.

And, last, to actually purchase care through State funds for families in crisis.

This year, the State will invest over $130 million in day care primarily to subsidize the cost of care for over 31,000 children, including the children receiving ET day care vouchers. We know, though, that State government alone will not be able to meet the child care needs of all of our families. A network of 12 child care resource and referral agencies with 20 offices throughout the State help to play a critical role in making the day care partnership work.

These private agencies have become each community's hub of day care activity in the State. Over 40,000 parents have received assistance in finding child care. At the same time, these agencies identify needs and bring together State and local resources to support existing programs and to develop new ones.

Child care resource and referral agencies, affectionately known as CCR&Rs in our State, also provide training and technical assistance to both teachers and administrative staff in order to ensure the quality of existing child care services.

Through our corporate child care office, located in Governor Dukakis' executive office of economic affairs. We provide technical assistance to businesses and to developers to encourage them to develop new programs. We've worked with over 300 employers resulting in 79 newly developed corporate child care programs.

We're helping our corporate leaders in Massachusetts to understand that day care is not just good social policy which I think we all understand now in Massachusetts, but it's also very good business.

Many of our efforts in Massachusetts focus on improving the quality of our child care programs and in increasing the supply and assuring access to low and moderate income families.

The Perry Preschool Project and many other research efforts document very clearly that young children will thrive in quality programs. At the same time, children in overcrowded programs with untrained care givers are in danger physically, emotionally and developmentally.

To improve quality we've strengthened our preschool and family day care regulations, increased the number of licensers dramatically in the State, and developed school age day care regulations. Because we know that the quality of care is determined by the quality of the care givers, we've also addressed the very urgent need to increase salaries for direct care workers working in day care centers and, by so doing, we have increased the salaries of workers in these centers by over 40 percent. These are workers in programs with State contracts. And the daily rate of family day care providers has increased by over 80 percent.

This year the average salary for a direct care worker in a participating center will be about $17,500, which is well above the national average.

We've also provided training to over 5,000 day care workers and to family day care providers. The day care partnership brings together labor, business, education, human services, State and local government. The key partner that has been consistently absent from the table, unfortunately, has been the Federal Government.

While Massachusetts may be doing more than any other State in the Nation to help to support day care, no State will be able to meet even a substantial portion of the need without a strong Federal partner.

This hearing today on 170 proposed bills shows us that there is obvious and growing support in the Congress for a stronger Federal child care role. And I know, and the Governor knows, that the support is coming from both Democrats and from Republicans.

There are many lessons from Massachusetts which we can offer as guidance as you frame a Federal response. But the partnership works because it's a comprehensive approach focusing on availability of day care, affordability of day care, and quality day care.

The principles that are the foundation for a subsidized day care system are paying the market rate, providing a sliding fee, and continuity of care. Without these commitments, low and moderate income families would not be able to work knowing that their children are receiving good care. Parents should not be forced to choose between the jobs they need and the children they love, but they will continue to face this awful dilemma until quality affordable day care is a priority for all of us in our country.

It is nothing short of a disgrace that, in the latter part of the 20th century in the richest society of the Earth, we still have no national child care policy. The Better Child Care Act would be, I believe, and Governor Dukakis believes, an important step toward a national day care partnership, an initiative which is long overdue.

The ABC bill contains many of the components of our day care partnership effort in our State.

Recently, the committee for economic development, which is composed of about 200 top level American business executives, published a report entitled, "Children in Need." In it they state:

> This Nation cannot continue to compete and to prosper in the global arena where more than one-fifth of our children live in poverty and a third group in ignorance. Allowing this to continue will not only impoverish these children, it will impoverish our Nation.

The report cites child care as a key issue that we, as a Nation, cannot afford to ignore. We just completed an extensive study of the child care needs of Massachusetts families. Over half of Massachusetts mothers polled who were not currently employed reported they would like to look for work or enter school or job training programs if affordable child care were available.

Poll after poll after poll shows that Americans want more support for child care and that they're willing to pay for it with their tax dollars. Providing the support for a national day care partnership will help each of our families become and remain economically self-sufficient.

We in Massachusetts want to thank you, Mr. Chairman, and member of this committee, for calling these hearings to examine the important role which we believe the Federal Government must play to make affordable quality child care to every working family in our country.

[The statement of Mr. Johnston follows:]

Statement of
Philip W. Johnston,
Secretary of the Massachusetts
Executive Office of Human Services.

I want to thank you, Congressman Downey, and the members of the Subcommittee on Public Assistance and Unemployment Compensation for inviting me to testify before you today. In particular, Mr. Chairman, you are to be commended for your leadership in the passage of the House Welfare Reform Bill, and for holding this hearing today. Your efforts, and the efforts of this subcommittee will help focus national attention on the critical need for affordable, quality child care, which is one of our country's most pressing needs.

Welfare reform will transform our current AFDC program into a vehicle for education, training and work. This will be a major change of our AFDC system, which was created in 1935 as a program for widowed parents who were ineligible for benefits from the newly created Social Security system. A program which might have fit the needs of children and families in 1935, though, no longer meets the needs of children and families in 1988. Any efforts to help families become and remain economically self-sufficient will only work if these efforts include affordable quality child care.

I'm very pleased to see that in crafting your Welfare Reform package, you have recognized the importance of child care in providing welfare recipients with a route out of poverty. As your committee looks at ways to expand day care opportunitite for low income working families, I hope you will look at what we have been able to accomplish in Massachusetts through our Day Care Partnership Project.

In January 1985 when Governor Michael S. Dukakis announced the Day Care Partnership he stated that "quality child care is a lifeline to the economic independence and stability of families and vital to a sound future for our children". With the Governor's leadership, the Partnership has brought together all of the actors who have an important stake in the availability of day care. It is a comprehensive approach, developed by a 50-person task force comprised of state and local government officials, business and labor leaders, school superintendents, college administrators and faculty, day care providers, and parents. Each of these sectors now plays an important role in the Partnership's success. We now have what many people consider to be the nation's most comprehensive day care system.

Day care has been an essential component of Massachusetts' Employment and Training Choices program (ET), which has been a model many other states have used in designing employment and training programs for AFDC recipients. ET was developed in 1983 with the help of former welfare recipients and advocates for the poor. It was started based on the premise that most AFDC recipients can work and want to work. The overwhelming majority of welfare recipients are single mothers and their children. Therefor, unless we expect them to abandon their children, an employment and training proogram that does not include child care services is doomed to failure.

Without day care program ET simply would not work. Over 55% of current Massachusetts ET participants have children under the age of six. This is an increase from 18% when the program first began in 1983. These parents voluntarily participate in ET. Most need day care and each one is eligible for a day care voucher through ET.

ET is the story of people like Ruby Rowe. Ruby was a teenage mother who dropped out of high school and spent four years on welfare because she did not have anyone to take care of her young son, Mark. Ruby signed up for ET and got day care through ET's day care voucher program. She graduated from ET in January 1986 and today. Ruby is a medical secretary at Massachusetts

General Hospital. She makes over $8.50 an hour, which is three times what she received when she was on welfare. The state still funds part of Mark's day care, through our Department of Social Services.

Ruby's story is shared by over 45,000 other ET participants, who are now employed in unsubsidized jobs. The average starting salary for full-time ET placements is $13,500 more than twice our maximum welfare grant of $6,900 for a family of three. Over 80% of ET graduates in fulltime employment have employer-provider health insurance.

In 1987 ET saved over $132 million in reduced welfare benefits and increased revenues from federal and state taxes.

Each month about nine thousand children, whose parents are participating in ET, will participate in day care voucher program, at an annual cost of approximately $37 million. The cost of the ET voucher day care program is nearly half of the entire ET budget. We have committed this large amount of resources to day care because we know that over 60% of our AFDC cases have at least one child under the age of six. We also know that young single parents are the most at risk group of becoming long term welfare recipients.

Vouchers provide quick access to needed care. ET participants do not have to add their child's name to the long waiting lists confronting most parents seeking subsidized day care. Parents must use licensed care and voucher management agencies help them find care. About 40% chose family day care, the rest use day care centers. Parents pay on a sliding fee basis, depending on their income. The average annual voucher cost to the state for each child is now about $4100.

We have also made a commitment to continuity of care. ET graduates are able to keep their day care vouchers (as long as they remain income eligible) until there is an available subsidized contracted day care slot. We are committed to continuity of care because we want to make sure that ET graduates do not return to the welfare rolls. Seventy five percent (75%) of all ET graduates since 1983 are still off of welfare.

We have learned that the availability of quality, affordable day care is critical to helping parents leave welfare as well as preventing families from ever entering the welfare system. In addition to serving ET families and graduates, the goal of the Day Care Partnership is to create more affordable quality child care programs for all Massachusetts working families.

Seventeen state agencies, coordinated by a day care policy unit in my office, the Executive Office of Human Services, are involved in making the partnership work. State Government's role is to:

- Help communities identify child care needs and existing gaps in services.
- Provide technical assistance and incentives to develop new programs and expand existing programs.
- Determine quality standards and monitor these standards to ensure that children's developmental needs are met.
- Subsidize the costs of care for low and moderate income families.
- Purchase care for families in crisis.

This year the state will invest over $130 million in day care, primarily to subsidize the cost of care for over 31,000 children, including the children who received ET day care vouchers. We know, though, that state government alone will not be able to meet the child care needs of all our families and we are working with many other sectors to develop more resources.

A network of twelve Child Care Resource and Referral Agencies, with 20 offices throughout the state, plays a critical role in making the Day Care Partnership work. These private agencies have become each community's hub of day care activity. Over 40,000 parents have received assistance in finding child care. At the same time, these agencies identify needs and bring together state and local resources to support existing programs and develop new ones. Child Care Resource and Referral Agencies also provide training and technical assistance to both teachers and administrative staff in order to ensure the quality of existing child care services.

Through our Corporate Child Care Office, located in our Executive Office of Economic Affairs, we provide technical assistance to businesses and developers to create new programs. We have worked with over 300 employers, resulting in 79 newly developed corporate child care programs. We are helping our corporate leaders to understand that day care is not just good social policy - it is good business.

Many of our efforts in Massachusetts focus on improving the quality of our child care programs as well as increasing the supply and assuring access to low and moderate income families. The Perry Preschool project and many other research efforts document that young children will thrive in quality programs. At the same time children in overcrowded programs with untrained caregivers, are in danger physically, emotionally and developmentally.

To improve quality we have strengthened our preschool and family day care regulations, increased the number of licensors and developed school-age day care regulations. Because we know that the quality of care is determined by the quality of the caregivers, we have increased the salaries of workers in day care centers, with state contracts, by over 40% and the daily rate of family day care providers by over 80%. This year the [illegible] will be about $17,500, well above the national average. We have also provided training to over 5,000 day care workers and family day care providers.

The Day Care Partnership brings together labor, business, education, human services, state and local government. The key partner that has been consistently absent from the table, though, is the federal government. While Massachusetts may be doing more than any other state in the nation on day care, no state will be able to meet even a substantial portion of the need without a strong federal partner.

This hearing today and 170 proposed bills show us there is obvious support in Congress for a stronger federal child care role. I know that the support is coming from both Democrats and Republicans. There are many lessons from Massachusetts which I offer as guidance as you frame a federal response.

The Partnership works because it is a comprehensive approach focusing on availability, affordability and quality. The principles that are the foundation for our subsidized day care system include paying the market rate, providing a sliding fee scale and continuity of care. Without these commitments, low and moderate income families would not be able to work knowing that their children are receiving good care. Parents should not be forced to choose between the jobs they need and the children they love, but they will continue to face this awful dilemma until quality affordable day care is a priority for all of us.

The Act for Better Child Care (ABC), would be, I believe important step toward a National Day Care Partnership, an initiative which is long overdue. The ABC bill contains many of the components of our Day Care Partnership.

The need for such an initiative becomes more pressing each day. Recently, the Committee for Economic Development, composed of over 200 top-level American business executives, published a report entitled Children in Need. In it, they stated, "this nation cannot continue to compete and prosper in the global arena when more than one-fifth of our children live in poverty and a third group in ignorance. Allowing this to continue will not only impoverish these children, it will impoverish our nation culturally." The report sites child care as a key issue that we as a nation cannot afford to ignore.

We have just completed an extensive study of the child care needs of Massachusetts families. Over half of the Massachusetts mothers surveyed who do not work now said that, if affordable day care were available, they would look for work or enter school or job training programs. Poll after poll shows that Americans want more support for child care and they are willing to pay for it with their tax dollars. Providing the needed leadership and support for a National Day Care Partnership will help each of our families truly become and remain economically self sufficient.

We in Massachusetts thank you Chairman Downey, and members of this subcommittee, for calling these hearings to examine the important role which I believe the federal government must play to make affordable quality child care available to every working family.

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Acting Chairman DOWNEY. I don't want to make this sound like a love-in but, as you know, we followed the Massachusetts lesson in terms of drafting our welfare legislation, and commend you for the work that's been done there, which is, I think, a model for the country.

I have an interest in trying to get your perspective on a couple of things. One is the licensing question. Mr. Tauke and Ms. Johnson and Congresswoman Kennelly have this concern about the Federal Government providing too strict a level of standard that some States will have problems with it, and if we try to license too much, it drives too many of the informal arrangements underground making care more expensive.

What is your perspective on this?

Mr. JOHNSTON. Mr. Chairman, I think that it is a critical issue, as I indicated. Our experience has been that we have increased dramatically the number of licensors in the State—and we have, by the way, a separate State agency which is within my office, umbrella agency called the office for children, which is responsible for the licensing and monitoring of child care programs in the Commonwealth.

But it is important to point out that it's separate from direct line service funding contracting agencies. And we have now a requirement that all family day care programs and center based programs meet very strict standards in that they be licensed on a very regular basis, that in fact more and more people are coming to us because, as part of that, we're offering technical assistance in support for family day care programs and for center based programs, day care programs.

So we found that the opposite has happened, and what I think Congresswoman Kennelly was referring to, that this is such an important issue for those States that do not have high standards at the moment. Massachusetts does, but my understanding is that the majority of States don't. And it does seem to me that, in the absence of reasonable but high standards for child care programs in the majority of our States, that the Federal Government has an absolute obligation to make certain that those standards are high and that they be enforced.

Acting Chairman DOWNEY. What about this issue of providing parents options, that we use the Tax Code as well as direct subsidies from the Federal Government? What is your view on the mix of policy options that are before us?

Mr. JOHNSTON. Well, I think that the conservative spokespersons who were here earlier made an interesting point. And I am not in any way speaking for my boss, with whom I have not discussed this matter, when I emphasize.

But I would assume that some mix of supporting options for parents, where the parents want to go to work and be assured that their children are in safe, high quality child care programs, or whether they're staying home, that there ought to be some recognition of both, that either option is valid.

But, at the moment, what one has, as I indicated in my remarks, is a situation which discourages women from entering the work force or going to school or exercising those options which I think in

1988 we think ought to be made available for every member of our society, whether they be male or female.

Acting Chairman DOWNEY. And I agree with that. I think that what we have, however, and what we'll have as a matter of major contention over the next couple of years as we wrestle with this issue, not that there isn't a desire to provide women those options, but how they're provided will be a real matter of battle.

Maybe Mrs. Kennelly can tell me who it is in my party who is interested in having kibbutzim for the children of America. Though some of the people on the right seem to be laboring under the misconception that this is the sole interest of many of us—provide institutional based care, which it is not.

Mr. JOHNSTON. No, no.

Acting Chairman DOWNEY. And I don't believe that the State of Massachusetts wants to discourage informal but quality care arrangements. Clearly, relatives, other informal settings are not the sort of thing we would want to discourage under any circumstances.

Mr. JOHNSTON. No.

Acting Chairman DOWNEY. And it seems to me that a tax based system gives us wide latitude in combination with grants to do precisely that.

Mr. JOHNSTON. Just in response, I would say that it is very clear that society in general is way ahead of the public policymakers in this regard. People voting with their feet on this, they want to go to work, they want to go to school, they want to have the options that we want to have. And yet, as I indicate, they're not able to do so in too many instances because of this chaotic child care system we have in this country.

Acting Chairman DOWNEY. Or nonexistent.

Mr. JOHNSTON. Or nonexistent.

Acting Chairman DOWNEY. Mrs. Kennelly.

Mrs. KENNELLY. Mr. Johnston, when we get into this discussion about health and public safety standards for day care centers, it's often argued to me that if you have provisions that insist that you have guidelines, that people aren't going to want to be bothered, that we set the standards too high and, therefore, what we do is drive away instead of increase the number of day care slots.

My understanding of your testimony is in Massachusetts, as you increased the number of centers, plus increase the number of licensing guidelines that you had to do to be licensed, you didn't see an inverse retreat from day care, am I right?

Mr. JOHNSTON. No. There was a corresponding, almost directly corresponding increase, dramatic increase in the availability of day care.

Mrs. KENNELLY. Could you explain that so we could have that for the record?

Mr. JOHNSTON. Well, I think people feel that the Government, at least in our case, is there to help. We're not being punitive. We don't have unreasonable standards. And people who are running family day care programs, which had been unlicensed and unregulated, I think were nervous. I think they were nervous before they had contact with the office for children licensors.

I think it's very important that one administer such a program in a reasonable way so that you don't have the club of the Government coming down on people who are trying to do good work. We are not there to put people out of business. We're there to make certain that children are in safe environments. And that's precisely what's happening.

We found some bad apples out there in the State and we closed them down. But, in general, those center based programs and family day care programs that have had deficiencies in standards, in licensing standards, have welcomed the support and the assistance they've received from us. And we've worked very closely with them to obviate those conditions and to eliminate the deficiencies.

So I think now what you feel happening in our State as a result of having increased standards, and again with some increased State money here because you've got to have both, is a real feeling of partnership because the people are all in this together, and there's some excitement and real collaborative work going on with families that's very, very exciting.

So it's a healthy environment I think for children and for families.

Mrs. KENNELLY. Well, being neighbor States, Connecticut and Massachusetts, and I can almost say that I think Massachusetts is even more progressive than Connecticut.

You were here for Mrs. Johnson's testimony?

Mr. JOHNSTON. Yes, I was.

Mrs. KENNELLY. Did you hear her suggest that possibly, if we had Federal guidelines, this would penalize the State of Connecticut, a progressive State like your State of Massachusetts, because certain things wouldn't quite mesh.

Do you feel the same way? Do you feel, and I notice you did mention my concern, and it very definitely is my concern, not the State's been doing a good job, but there are many more States doing nothing.

Do you think it would penalize a State like Massachusetts if we had guidelines?

Mr. JOHNSTON. No. We're all for it.

Mrs. KENNELLY. You're all for it?

Mr. JOHNSTON. We're all for it. And we want to see this happen on a national level. I think, as I indicated, it's terrific that this committee is exercising the kind of leadership that you are, and that so many people are involved in this.

But what's happening in Massachusetts has just been wonderful, and I'd like to see it happen in every State in the country.

And as you pointed out, you can quibble about little details, about specific pieces of legislation, whether it's the ABC bill or any other bill that's before you. But the effort here, it seems to me, ought to be to guarantee the extent that one can humanly do this, that every child in the country who is in a child care program be in one that is safe and that is going to meet his or her needs.

And I can't think of any other way to do it but to make sure that the Federal Government is involved, and making sure that it happens.

Mrs. KENNELLY. Thank you.

Mr. **Johnston**. But it shouldn't be viewed as a punitive kind of strategy. It ought to be viewed as something that's going to help children and help families to thrive and do better.

Mrs. **Kennelly**. Thank you, Mr. Secretary.

Mr. **Johnston**. Thank you.

Mrs. **Kennelly** [presiding]. Thank you. Excuse us for trading chairs here.

The next panel that we are going to call to testify is president of the Eagle Forum, Phyllis Schlafly; the National Council of Churches, United Church of Christ, Friends Committee on National Legislation, Dr. Patrick W. Grace Conover, and we're going to call the American Association of Christian Schools, Jack Clayton, Washington representative, and Mr. Robert Record, policy analyst, welfare and urban affairs.

And I hope that it will be convenient now if Mark Rosenberg of the National Child Care Association joins this panel, as well as Roberta Barnes, senior research associate of the Urban Institute.

Welcome, Ms. Schlafly.

STATEMENT OF PHYLLIS SCHLAFLY, PRESIDENT, EAGLE FORUM

Mrs. **Schlafly**. Thank you, Madam Chairman.

Mrs. **Kennelly**. As soon as everybody settles, would you like to begin?

Mrs. **Schlafly**. Madam Chairman, I'm Phyllis Schlafly, president of Eagle Forum, a national volunteer organization of 80,000 members who are concerned about public policies affecting the American family.

A great deal of media and congressional attention has been given this year to the issue of child care. I think it's important that we differentiate between day care services to three very different types of families:

First, the $3 billion of day care services we currently provide to those on various kinds of public assistance.

Second, the $3.9 billion made available through the child care tax credit, of which 83 percent is used by upper income, two-paycheck families.

And, third, the new billions of dollars which are sought to be appropriated through various bills, such as Dodd-Kildee, to provide day care services to employed women of all income levels. I will address myself primarily to this third type because it pertains to the question asked on your subcommittee's news release, "Is additional Federal legislation needed to meet the child care needs of families, particularly those that are poor?"

First, let's consider the 54 percent of children under age 6 who are cared for by their own mothers in their own homes. The median family income of single paycheck families with a full-time mother is $25,803, about $11,000 less than the two-income couples who are vociferously demanding that day care be federally subsidized. Except for H.R. 3944, Holloway, and H.R. 4434, Schulze, and H.R. 4219, Crane, the pending day care legislation would require that the mother be employed or seeking employment and would exclude low-income families with full-time mothers from child care benefits.

We absolutely oppose any legislation that divides mothers into two classes—employed mothers and full-time homemakers, and then subsidizes one class but not the other, especially when most of those denied benefits have lower incomes than the two-paycheck families who are favored in the legislation. This is as socially divisive as separating Americans into blacks and whites, and it should not be done because it is inherently discriminatory. Furthermore, it is grievously unjust to tax single-paycheck families that are caring for their own children, often at considerable sacrifice, in order to subsidize day care for two-paycheck families.

Now, let's look at the 45 percent of children whose mothers are employed and, therefore, need child care services by someone else. According to the best available research, 95 percent of day care is unlicensed and unregulated. Some of this is care given by the child's relatives, a father working a different shift, a grandmother, et cetera. But much of it is provided by what we call "neighborhood day care mothers." As a practical matter, this informal, privately-arranged and mother-supervised type of day care is what most families voluntarily choose. Only about 10 percent choose Government-licensed, Government-regulated day care of the type that would be subsidized in most of the pending bills.

All available evidence shows that unregulated day care by neighborhood day care mothers is every bit as good quality as licensed, regulated day care. Neighborhood day care mothers are preferred because they are personally known to the parents, more convenient, and the child sees the same caregiver every day. In addition, the children are less apt to catch contagious day care diseases because there are fewer children in the household than in institutional care.

All the pending day care bills, which include subsidies for day care, whether in the form of vouchers, certificates, direct grants to providers, or grants to the States that in turn would dole out the funds, would subsidize only licensed, regulated day care. Some bills also insist on Government training for day care personnel. Other bills scheduled to be introduced this week purport to require only registration of day care providers, but the funds granted to the States could be used for licensed day care only.

I hope you would consider the social upheaval this will cause, as well as the injustice to low-income women. In our free society, employed mothers have made it clear that they prefer care by relatives or by neighborhood day care mothers. Yet, these choices will be discriminated against in the pending bills.

To illustrate how this will work in action, I want to share with you a typical letter among the many unsolicited letters I have received since I began speaking out on this issue. This letter is from Minneapolis, Minnesota:

> I am a single mother sole supporter of my two-year old daughter. I make $16,000 a year as a secretary and have a definite struggle financially.
>
> When I was on Greater Minneapolis Day Care Association, that is day care assistance, I was only allowed to choose from centers or homes that were licensed and contracted. All of those I checked out had far too many children for what the staff could handle. One lady I called had 12 kids and only had someone to come in and help part time. I only paid $155 a month, but I felt it was very cold, very institutionalized, and my daughter was neglected and ignored.

> Now I am paying $75 a week for a private home from a woman who has two of her own kids and just takes in my Cathy. I am paying one-third of my take-home pay to day care, but it is worth it to have my daughter in a Christian, loving home.
>
> I think the Government only likes to pay for what it supports. It forces a lot of single moms like myself to choose inadequate institutional day care purely for financial reasons. The only other option is welfare, and women like me with pride won't even consider that.

Here's another typical letter, this one from Joseph City, Arizona:

> There are not any day care centers at present in this immediate area, only home care by individuals. Most of them don't charge more than $1 per hour, some even less. Most do it just for the company.
>
> One day care center in the closest community, 10 miles away, closed last year because of too many Government regulations that they felt they could not comply with and still make a go of the business.

There are estimated to be 1,650,000 neighborhood day care mothers today who are unlicensed and unregulated. Any legislation that requires these mothers to be licensed, or even registered, would put our Nation into a totalitarian process that is completely unacceptable in a free society. Yet, that is what some pending bills would require.

Staff personnel of some Congressmen have stated that they believe that relatives, even grandmothers, and neighborhood day care mothers should be licensed, regulated, and have Government training before they are allowed to care for anyone else's children.

To subsidize institutional care, but discriminate against the informal in-home care that most low-income mothers prefer, will be perceived by the public as a ruse to force all babies into Government-run day care centers and to control how they are treated and trained.

Subsidies for day care which can be used only in licensed or registered facilities will make quality day care less available and less affordable, but do nothing for low-income families. To give a low-income mother a voucher or certificate that can be spent only at higher priced, secular, Government-licensed centers will not only not help her financially, but will alienate everybody in the process.

Thus, if a low-income mother is given a $500 voucher that can be cashed only at a center where the average annual cost is $3,000, she is worse off than if she gets no voucher and continues to use care by a family member or neighbor where the average cost is only $1,500 a year. Subsidies or vouchers will benefit only the bureaucracy, the commercial day care industry, and yuppie two-paycheck families who can afford high-priced institutional care. Left out in the cold will be the low-income families whom I believe you really want to help.

Any system of subsidies, certificate or vouchers will inevitably invoke the Civil Rights Restoration Act, forcing every babysitter who accepts a voucher to comply with Federal standards for nondiscrimination about gender, handicap and disease.

Low-income families would also be especially hurt by a voucher or subsidy system because it is certain to discriminate against religious day care for the same reason which the antireligious lobby has successfully prevented religious schools from qualifying for publicly-supported vouchers. This would be tragic because church-based day care is the most used and most wanted day care for low-income families in the inner cities. Vouchers or certificates would open a Pandora's box up that would alienate millions of Americans.

If Congress wants to increase aid to families on public assistance, it can easily put more funds into any of the existing day care services for families on public assistance. But there is only one acceptable formula for the Federal Government in the area of child care for employed families. Reduce the tax load on families with children, and let them spend their own money for the child care of their own choice, without Government busybodies telling them what kind of child care they must use. This can be accomplished by the Holloway child care tax reform, H.R. 3944, which would make the child care tax credit inclusive of all preschool children; by the Schulze toddler tax credit, H.R. 4434, which would make the child care tax credit inclusive of all children plus add additional benefits through the earned income tax credit, and by the Crane family care package, H.R. 4219, which would increase the tax exemption for all children. The Holloway and Schulze bills are weighted to give proportionately more benefits to low-income families.

All these bills are pending before the Ways and Means Committee, and we urge you to pass any or all of them.

Thank you, Madam Chairman.

STATEMENT OF PATRICK W. GRACE CONOVER, POLICY ADVOCATE, OFFICE FOR CHURCH IN SOCIETY, UNITED CHURCH OF CHRIST, ON BEHALF OF THE NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.

Mr. CONOVER. Hello, I am Patrick Conover, policy advocate for the United Church of Christ, Office for Church in Society. I appear before you today on behalf of the National Council of Churches, of whose Child Advocacy Working Group I am a member.

The National Council of the Churches of Christ in the United States is the principal ecumenical organization in the United States through which 32 Protestant, Anglican, and Orthodox church bodies with a combined membership of 44 million Christians make a common witness to their faith and work together to serve the churches and the world. While I do not purport to speak for all members of the communions constituent to the National Council, I do speak for our policymaking body, the governing board, whose 260 members are selected by those communions in numbers proportionate to their size.

We are supported in the presentation of this statement by the following religious bodies: The American Baptist Churches, United States of America, Office of Governmental Relations; the American Jewish Committee; Bread for the World; Catholic Charities U.S.A.; Christian Church (Disciples of Christ), Department of Church in Society; Church of the Brethren, Washington Office; Church Women United; Council of Jewish Federations; Evangelical Lutheran Church of America; Friends Committee on National Legislation; Interfaith Action for Economic Justice; Religious Network for Equality for Women; Union of American Hebrew Congregations; Unitarian Universalist Association of Congregations in North America; United Church of Christ, Office for Church in Society; United Methodist Church, both their General Board of Church and

Society and their General Board of Global Ministries, the Women's Division.

The religious organizations submitting this statement share a common concern for the lives of the poor. We are committed to seeking and building a society in which every person lives in health and dignity. We offer these comments on the child care needs of low-income families from that perspective. We also speak from our experience. The religious community is the largest provider of center-based care in the country. In many communities, both rural and urban, it is only the local church or synagogue that offers center-based child care for the children of employed parents. Sometimes there is no other source for that service. The religious community also provides inexpensive, quality care to assist low-income families seeking to support their families on meager wages.

We wish to express our appreciation to Chairman Downey and to the members of this subcommittee for calling attention to this particular aspect of the lively discussion on child care needs.

A recent report on child care produced for the Secretary of Labor reports that 63 percent of all mothers of children under age 14 are in the labor force, and approximately half of mothers with children under age 1 are employed outside the home. Among these women, 70 percent work full time. We also know from Bureau of the Census surveys and other sources that many more parents would enter the work force if high quality child care were available and affordable. Many of these parents already possess desired work force skills. Their work would help to protect their families from poverty, as well as adding needed skills to the marketplace.

I would just like to add a personal note here. My child, my 4-year-old child, is in a wonderful child care center up in Maryland. There are about 115 child care slots in that center, and we reserve 15 percent of those slots for subsidized children. We have a 400-person waiting list trying to get into that center. It is a good center. One of the problems that we have is that even though those children who receive subsidies, who receive subsidies that are higher than are usually provided by public support, are still a financial burden and we are not able to expand the number of children that we serve because it does, even with those levels of subsidy, provide a heavy burden to those families who are paying full fee.

I want you to know that even in some of the more affluent sections of the United States that this problem can still be very severe. Of course, it is much worse in other areas where the level of supply is not as good as in the neighborhood where I happen to live.

An increasing number of families of all income levels are supported by two full-time workers. The need for high quality, safe, and reliable child care has become a central issue in many States and now in Congress.

The importance of the child care issue reaches critical proportions, however, in the lives of low-income families and single-parent families. The availability and affordability of quality child care can be the make-or-break issue for families struggling with poverty. As Congress reconsiders the Federal role in support of child care, we hope that the special needs of low-income families will take top priority.

We believe that increasing the availability of affordable quality child care would enable a large proportion of low-income families to support their children through employment and avoid the need to turn to welfare. Common sense, as well as concern for the budget deficit, tells us that Federal funds invested in quality child care for poor families will reap benefits for both the families and the Government for years to come.

This Congress, and especially this committee, has given a lot of attention to the welfare system. One clear message of that still incomplete debate is that Congress expects women who are left to raise children alone to become self-sufficient within a relatively short time. While many in the religious community do not support or share that expectation, we have tried to clarify some of the needs women face as they seek to move from welfare to work. One of the major hurdles that this committee faced in trying to legislate that expectation was the high cost of child care.

As this committee discovered, the care of two small children can easily take the entire paycheck of a full-time minimum wage worker. For example, a mother of two preschoolers earning minimum wage and working 40 hours a week would have a gross income of $134 per week. If both youngsters were in day care at the national average cost of $65 per week, their mother would have only $4 left each week to meet all of her family's other expenses.

The figures show something beyond hardship; they show an impossibility. If a worker is to be able to support one or two children without the assistance of welfare, earnings have to be substantially above the minimum wage level, and the expense of child care has to be reduced or subsidized.

The welfare reform debate of this Congress has focused not on welfare, but on the objective of moving families off of welfare into employment. However, a recent Labor Department report reminds us that a 1982 Census Bureau survey found that 13 percent of all mothers of preschoolers said they would seek employment if they could locate adequate, reasonably priced child care—and this is perhaps the more important statistic for this committee—and that 60 percent of all mothers on welfare responded to a Government Accounting Office survey by saying that the lack of affordable child care was what prevented their participation in work programs. Thus, the absence of child care is a barrier to employment for parents at every economic level.

Recommendations: We believe that the availability of quality, affordable child care would do more to enable women with children to seek and retain employment than the complex and expensive welfare reform legislation that has been debated for so long in these halls.

Conversely, we believe strongly that subsidized child care should not be a welfare program. Affordable, quality child care should be available to all working parents, whether or not they have ever had any connection with the welfare programs.

The market rate of child care expenses of low-income working parents should be subsidized directly to the provider or to the individual families. The dependent care tax credit allows middle and upper income parents to receive a Government subsidy for the care they purchase for their children. It does little to help low-income parents because it is not refundable and because such families often do not earn enough to owe taxes and, therefore, cannot take advantage of a credit.

Poor families have the same desire and the same right as affluent ones to have their children cared for in safe and appropriate ways. But low-wage workers who seek child care frequently find more than one hurdle in their paths. Child care is expensive, and sometimes it is simply not available. Child care centers, especially those that receive some Government subsidies, typically have long waiting lists. Registered and licensed family day care homes are in great demand and are usually filled to their licensed capacity. In particular, infant care is practically unavailable except in informal, unlicensed arrangements which may or may not be safe.

The Department of Labor report concludes that "there does not seem to be a general 'shortage' of child care." However, it goes on to acknowledge that certain types of day care may be in short supply in some communities, such as infant care, sick child care, and after school care.

In view of the finding mentioned earlier that half of all American women with a child under age 1 are in the work force, it is obvious that a shortage of infant care could and does affect a very large number of children. In addition, the report acknowledges that one million school aged children under age 14 ". . . are 'latchkey' children—in 'unsupervised care' before or after school hours. Care of these children may well be the largest 'shortage' in child care."

Sometimes the special needs of low-income workers place otherwise available child care resources beyond their reach. I give you several examples, the first being unusual working hours. Even when child care centers offer full-time care, they are often open only from 8 a.m. to 6 p.m. Many low-income workers work an early shift, from 7 a.m. to 3 p.m., or a late shift, from 3 p.m. to 11 p.m. It might be, as Congresswoman Johnson suggested, that we might need to have some flexibility in the work force, but that is not currently the reality for many people who are already at work. This is an important issue. Furthermore, schedules for many workers are variable and unpredictable. Low-income employees are less likely to have control over their schedules and overtime requirements than are many higher paid or professional workers.

Transportation difficulties may compound the problem of obtaining child care. Because child care is difficult to find, families sometimes have to take children some distance to a center or family day care home. For low-income families who have to depend on public transportation or older, less reliable vehicles, the transportation problem can be a significant barrier to employment.

Caring for sick children. Illness is a fact of poverty. In addition to the normal illnesses of childhood, children in poor families are more likely to be seriously ill or injured during their first 12 years. Yet workers on low-wage jobs are far less likely to be allowed the flexibility to take care of their own sick children. Parents lose wages and sometimes employment when they must take time to obtain medical care for their children.

We recommend that the Federal Government sponsor and encourage the development of child care resources that are responsive to the particular needs of low-income working parents.

Now to address the issue of the quality of child care. Parents want the best for their children. Income does not change this fact of life. But low-income parents must often bow to the pressure to settle for an arrangement that is less safe, less sure and less satisfying to their children than they would wish. In order to arrange for child care at an affordable cost and at unpredictable or unusual hours, low-income parents may have to settle for unlicensed and unsupervised care, perhaps in overcrowded conditions and perhaps with untrained personnel.

Another aside, I lived, before coming to this job, in Charlotte, N.C., in a working-class neighborhood. The woman next door to me provided a lot of informal care, and she was a very wonderful person. However, she happened to live in a house that has no furnace and no hot water heater. And yet she often had the responsibility of fixing dinner for these children. She was the kind of caregiver that needs to have the kind of support that current legislation would offer that would give the kind of training, the kind of recruitment, the kind of encouragement, the kind of technical assistance, the kind of grants to improve their facility, which would draw her from the circumstances where she is, making a very marginal living and providing very marginal care. We need the kind of support that the ABC bill, or perhaps other bills, would provide which would draw her into being able to provide the kind of care that you and I would be proud to have our children within.

The result of this circumstance for poor people is that the Nation now has a two-tier system of child care, with one standard for poor families and another for those who are more affluent. With direct subsidies at the market rate, low-income parents would be able to pay as much as their more prosperous neighbors, and their children would have the advantage of higher quality care and better facilities.

Some recommendations, again. Broad assurances of quality child care in centers and family day care homes would be welcomed by low-income parents as they would by more affluent ones. Government assistance that would enable child care providers to upgrade their facilities and programs would greatly assist this effort. However, it would be irresponsible to assure the quality of child care programs without also offering subsidies to pay for such quality care. This would create a cruel irony for low-income families. Without subsidies, they could not afford to pay even the average cost of good quality child care.

We believe that all children should be cared for in safe and enjoyable environments and that, where conditions are inadequate, the Government should provide subsidies to bring the facility up to an acceptable standard of health and safety. This should apply to both child care centers and family day care homes.

Now, with regard to sources of funding. We especially appreciate the attention the committee is giving to the funding of current child care programs. Funds for child care come through a variety of resources: from Federal, State and local budgets, from employers offering tax-exempt payroll benefits, and from private foundations and educational institutions.

One effect of this multisourced child care effort is a proliferation of models, program models as well as funding models. Funds can often be matched or pooled, stretching Government's funds by mixing them with employer contributions and local charitable or cooperative efforts.

One of the major subsidizers of center-based care is the religious community. In a study conducted among its 32 member communions in 1982, the National Council of Churches found that 98 percent of the child care centers operated by their churches saw themselves as being heavily subsidized by the churches where they were housed. Of those, 35 percent had substantial numbers of low-income children. We believe that this partnership between parents and churches in is the best interest of the children who are in church and synagogue based child care, providing them with reasonably priced care in a wholesome environment, very often in the community where they live or where their parents work.

In many communities, the missing or weakest partner in the child care system is the Federal Government. Families, employers, and the religious community are now looking to the Federal Government to make a major commitment to the well-being of our children and our future by joining in a much more substantial way in meeting the needs of children at every income level for safe, affordable, quality child care.

We recommend a stronger Federal Government role in the development and provision of child care resources. We recommend the continuation of the strong partnerships that have developed among institutions seeking to meet the growing national need for child care.

In particular, we recommend that additional funds be allocated to title XX specifically for the development and availability of child care. We also recommend that AFDC eligibility and benefit rules reflect the actual market cost of care.

Again, I would like to just add one more brief comment. We have had a lot of discussion today about the funding of parents who stay home to provide care. What I would like to say is to perhaps paraphrase Mr. Tauke who said the issue is how you provide quality, affordable care to low-income families. Well, what you need is quality, affordable care for those families who are going to work and who need to buy and purchase child care. That is the real target. If you focus on that, then you will realize that there may be other laudable goals, such as providing a child allowance. That needs a different forum, and it has a whole different set of policy justifications.

I hope this committee, as it thinks about quality child care, will focus on what the real need is: those mothers and fathers who are out there in the working system struggling hard to make their way through a very difficult employment world right now, with low pay, who need to feel that they have a secure place for their children, a place that they can feel comfortable with, a place where their children can thrive.

Thank you.

[The prepared statement follows:]

Testimony on Child Care Needs of Low-Income Families

Presented before the
Subcommittee on Public Assistance
and Unemployment Compensation
of the House Committee on Ways and Means

by Dr. Patrick W. Grace Conover
on behalf of the National Council of Churches
June 9, 1988

I. Introduction

Mr. Chairman, I am Dr. Patrick W. Grace Conover, Policy Advocate for the United Church of Christ Office for Church in Society. I appear before you today on behalf of the National Council of Churches, of whose Child Advocacy Working Group I am a member.

The National Council of the Churches of Christ in the U.S.A. is the principal ecumenical organization in the United States through which 32 Protestant, Anglican and Orthodox church bodies with a combined membership of 44 million Christians make a common witness to their faith and work together to serve the churches and the world. While I do not purport to speak for all members of the communions constituent to the National Council, I do speak for our policy-making body, the Governing Board, whose 260 members are selected by those communions in numbers proportionate to their size.

We are supported in the presentation of this statement by the following religious bodies: American Baptist Churches, U.S.A. - Office of Governmental Relations; The American Jewish Committee; Bread for the World; Catholic Charities U.S.A.; Christian Church (Disciples of Christ) - Department of Church in Society; Church of the Brethren - Washington Office; Church Women United; Council of Jewish Federations; Evangelical Lutheran Church of America; Friends Committee on National Legislation; Interfaith Action for Economic Justice; Religious Network for Equality for Women; Union of American Hebrew Congregations; Unitarian Universalist Association of Congregations in North America; United Church of Christ - Office for Church in Society; United Methodist Church - General Board of Church and Society; United Methodist Church - General Board of Global Ministries, Women's Division.

The religious organizations submitting this statement share a common concern for the lives of the poor. We are committed to seeking and building a society in which every person lives in health and dignity. We offer these comments on the child care needs of low-income families from that perspective. We also speak from our experience -- the religious community is the largest provider of center-based care in the country. In many communities, both rural and urban, it is only the local church or synagogue that offers day care for the children of employed parents; sometimes there is no other source for that service. The religious community also provides inexpensive, quality care to assist low-income families seeking to support their families on meager wages.

We wish to express our appreciation to Chairman Downey and to the members of this subcommittee for calling attention to this particular aspect of the lively discussion on child care needs.

II. The Need for Child Care

A recent report on child care produced for the Secretary of Labor reports that 63% of all mothers of children under age 14 are in the labor force, and approximately half of mothers with children under age one are employed outside the home. Among these women, 70% work full-time. We also know from Bureau of the Census surveys and other sources that many more parents would enter the workforce if high quality child care were available and affordable. Many of these parents already possess desired workforce skills. Their work would help to protect their families from poverty, as well as adding needed skills to the marketplace.

As increasing numbers of families of all income levels are supported by two full-time workers, the need for high-quality, safe and reliable child care has become a central issue in many states, and now in Congress.

The importance of the child care issue reaches critical proportions, however, in the lives of low-income families and single-parent families. The availability and affordability of quality child care can be the make-or-break issue for families struggling with poverty. As Congress reconsiders a federal role in support of child care, we hope that the special needs of low-income families will take top priority.

We believe that increasing the availability of affordable, quality child care would enable a large proportion of low-income families to support their children through employment and avoid the need to turn to welfare. Common sense, as well as concern for the budget deficit, tells us that federal funds invested in quality child care for poor families will reap benefits for both the families and the government for years to come.

III. The Expense of Self-Sufficiency

This Congress -- especially this committee -- has given a lot of attention to the welfare system. One clear message of that still incomplete debate is that Congress **expects** women who are left to raise children alone to become self-sufficient within a relatively short time. While many in the religious community do not support or share that expectation, we have tried to clarify some of the needs women face as they seek to move from welfare to work. One of the major hurdles that this committee faced in trying to legislate that expectation was the **high cost of child care.**

As this committee discovered, the care of two small children can easily take the entire paycheck of a full-time minimum wage worker. For example, a mother of two preschoolers earning minimum wage and working forty hours a week would have a gross income of $134 per week. If both youngsters were in day care at the national average cost of $65 each per week, their mother would have only $4 left each week to meet all of her family's other expenses.

The figures show something far beyond hardship: they show an impossibility. If a worker is to be able to support one or two children without the assistance of welfare, earnings have to be **substantially** above the minimum wage level, **and** the expense of child care has to be reduced or subsidized.

The "welfare reform" debate of this Congress has focused -- not on welfare -- but on the objective of moving families off of welfare into employment. However, a recent Labor Department report reminds us that a 1982 Census Bureau survey found that 13% of **all** mothers of preschoolers said they would work if they could locate adequate, reasonably priced child care, and that 60% of all mothers on welfare responded to a Government Accounting Office survey by saying that the lack of affordable child care was what prevented their participation in work programs. Thus the absence of child care is a barrier to employment for parents at every economic level.

Recommendations: We believe that the availability of quality, affordable child care would do more to enable women with children to seek and retain employment, than the complex and expensive welfare reform legislation that has been debated for so long in these halls.

Conversely, we believe strongly that subsidized child care should not be a "welfare" program. Affordable, quality child care should be available to all working parents, whether or not they have ever had any connection with welfare programs.

The market rate of child care expenses of low-income working parents should be subsidized directly to the provider or to the individual families. The Dependent Care Tax Credit allows middle- and upper-income parents to receive a government subsidy for the care they purchase for their children. It does little to help low-income parents because it is not refundable and because such families often do not earn enough to owe taxes and therefore cannot take advantage of a credit.

IV. Availability of Child Care for Low-Wage Workers

Poor families have the same desire and the same right as affluent ones to have their children cared for in safe and appropriate ways. But low-wage workers who seek child care frequently find more than one hurdle in their paths. Child care is expensive, and sometimes, it is simply not available. Child care centers, especially those that receive some government subsidies, typically have long waiting lists. Registered and licensed family day care homes are in great demand and are usually filled to their licensed capacity. In particular, infant care is practically unavailable except in informal, unlicensed arrangements which may or may not be safe.

The Department of Labor report concludes that "there does not seem to be a general 'shortage' of child care." However, the report did acknowledge "...that certain types of day care may be in short supply in some communities, such as infant care, sick child care, and after school care."

In view of the finding mentioned earlier that half of all American women with a child under age one are in the workforce, it is obvious that a shortage of **infant care** could and does affect a very large number of children. In addition, the report acknowledges that one million school aged children under age 14 "...are 'latchkey' children -- in 'unsupervised care' before or after school hours. Care of these children may well be the largest 'shortage' in child care."

In Child Care: Facing the Hard Choices, Sheila Kamerman and Alfred Kahn tell us:

> ....Licensed or registered infant/toddler care remains in short supply in most parts of the country. Relative care remains important but is declining in use. Family day care predominates, with group care becoming more important than previously, especially for toddlers. Parents continue to complain about shortages, and most requests for help in finding care are for this age group. The supply of services for 3- to 5-year-olds appears to be quantitatively adequate. However, much of what is available is still only part-day, as parents seek full-day care and as many preschool programs, both full- and part-day, are more expensive than most parents can afford. Few of the preschools are free public services. After-school programs are in short supply and parents appear to have difficulty in locating them, assessing their quality, as well as affording those that seem desirable. Finally, we note that the situation varies significantly across localities.

Sometimes the special needs of low-income workers places otherwise-available child care resources beyond their reach. For example:

Unusual work hours: Many child care centers are open only from 8 a.m. to 6 p.m. Many low-income workers work an early shift, from 7 a.m. to 3 p.m., or a late shift from 3 p.m. to 11 p.m. Schedules may be variable and unpredictable. Low-income employees are less likely to have control over their schedules and overtime requirements than are many higher-paid or professional workers. As noted by Kahn and Kamerman, child care outside of the normal 9-to-5 workday is difficult to obtain.

Transportation: Transportation difficulties may compound the problem of obtaining child care. Because child care is difficult to find, families sometimes have to take children some distance to a center or family day care home. For families with reliable transportation, this necessity may complicate their days somewhat. For low-income families who have to depend on public transportation or older, less reliable vehicles, the transportation problem can be a barrier to employment.

Caring for Sick Children: Illness is a fact of poverty. In addition to the normal illnesses of childhood, children in poor families are more likely to be seriously ill or injured during their first twelve years. Yet workers on low-wage jobs are far less likely to be allowed the flexibility to take care of their own sick children. Parents lose wages -- and sometimes employment -- when they must take time to obtain medical care for their children. For illnesses that linger beyond a day or two, parents need alternate care arrangements, since day care centers and family day care homes generally will not accept sick children. In this situation, a higher income family might hire a nurse or babysitter. A low-income family has few options.

Recommendations: We recommend that the federal government sponsor and encourage the development of child care resources that are responsive to the particular needs of low-income working parents.

V. Quality of Child Care

Parents want the best for their children; income does not change this fact of life. But low-income parents must often bow to the pressure to settle for an arrangement that is less safe, less sure and less satisfying to their children than they would wish. In order to arrange for child care at an affordable cost and at unpredictable or unusual hours, low-income parents may have to settle for unlicensed and unsupervised care, perhaps in overcrowded conditions, and perhaps with untrained personnel.

The result is that the nation now has a two-tier system of child care, with one standard for poor families and another for those who are more affluent. With direct subsidies at the market rate, low-income parents would be able to pay as much as their more prosperous neighbors, and their children would have the advantage of higher quality care and better facilities.

Recommendations: Broad assurances of quality child care in centers and family day care homes would be welcomed by low-income parents, as they would by more affluent ones. Government assistance that would enable child care providers to upgrade their facilities and programs would greatly assist this effort. However, it would be irresponsible to assure the quality of child care programs without also offering subsidies to pay for such quality care. This would create a cruel irony for low-income families. Without subsidies, they could not afford to pay even the average cost of good quality child care. They would have to seek child care in a true "underground" of unlicensed providers.

We believe that all children should be cared for in safe and enjoyable environments and that, where conditions are inadequate, the government should provide subsidies to bring the facility up to an acceptable standard of health and safety. This should apply to both child care centers and family day care homes.

VI. Sources of Funding

We especially appreciate the attention the committee is giving to the funding of current child care programs. Funds for child care come through a variety of sources, from federal, state and local budgets, from employers offering tax-exempt payroll benefits, and from private foundations and educational institutions.

One effect of this multi-sourced child care effort is a proliferation of models -- program models as well as funding models. Funds can often be matched or pooled, stretching government funds by mixing them with employer contributions and local charitable or cooperative efforts.

One of the major subsidizers of center-based child care is the religious community. In a study conducted among its 32 member communions in 1982, the National Council of Churches found that 98% of the child care centers operated by their churches saw themselves as being heavily subsidized by the churches where they were housed. Of those, 35% had substantial numbers of low-income children. We believe that this partnership between parents and churches is in the best interests of the children who are in church- and synagogue-based child care, providing them with reasonably priced care in a wholesome environment, very often in the community where they live or where their parents work.

Increasingly, employers are providing child care for their workers, either by setting up centers within their own facilities or by contracting with a nearby service. This trend is helpful for many reasons. Parents are more satisfied with child care if they are able to check in on their children during the day, and many such centers encourage parents to come at lunch time or during play periods to be with their youngsters. But this type of program is expensive to employers and is not yet widespread.

In many communities, the missing or weakest partner in the child care system is the federal government. Families, employers and the religious community now look to the federal government to make a major commitment to the well-being of our children and our future by joining in a much more substantial way in meeting the needs of children at every income level for safe, affordable, quality child care.

Recommendations: We recommend a stronger federal government role in the development and provision of child care resources. We recommend the continuation of the strong partnerships that have developed among the institutions seeking to meet the growing national need for child care.

In particular we recommend that additional funds be allocated to Title XX specifically for the development and availability of child care. We also recommend that AFDC eligibility and benefit rules reflect the actual market cost of child care.

Mrs. **Kennelly.** Thank you, Doctor. We always appreciate your willingness to come before this committee.

Mr. Clayton.

STATEMENT OF JACK CLAYTON, WASHINGTON REPRESENTATIVE, AMERICAN ASSOCIATION OF CHRISTIAN SCHOOLS

Mr. **Clayton.** I thank the Chair. My name is Jack Clayton. I am the Washington representative for the American Association of Christian Schools. And for reasons which I think will become clear, I would like to just request permission to submit my written statement for the record and add to it a couple of personal comments. I would not be here at all today except for the insistence of my wife who is a 5-year cancer victim, and I might find myself——

Mrs. **Kennelly.** Mr. Clayton, your entire testimony will be——

Mr. **Clayton.** I might soon find myself a single parent, and I would just like to request that in the consideration of any Federal policies that people be given first priority. I can foresee the days ahead. I will not need a lot of professionalism. I will not need a lot of physical edifices. I will need people that will be able to provide a lot of services that are not considered orthodox. They will have to spend the night at other people's house. There will be all kind of informal arrangements because I do have to travel.

I had in my testimony a number of historic reasons that my constituency opposes licensure of religious institutions. I hope that they will be weighed carefully because I think that they are valid. And, finally, I would like to say that people coming from my constituency who are opposed to excessive Government intervention in child care, they are indeed compassionate people. It is that door of compassion that I do not want to see slammed shut on those wonderful people because I am going to depend on them.

Thank you.

[The statement of Mr. Clayton follows:]

American Association
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TESTIMONY

OF

JACK CLAYTON

BEFORE THE

HOUSE WAYS AND MEANS COMMITTEE

ON H.R. 3660

JUNE 9, 1968

> There is not a single instance in history in which civil liberty was lost, and religious liberty preserved entire. If therefore we yield up our temporal property, we at the same time deliver our conscience into bondage.
>
> John Witherspoon 1776

My name is Jack Clayton. I am the Washington Representative for the American Association of Christian Schools. The churches and Christian Schools in my association are deeply committed to restoring and preserving the most precious civil liberties that Christians won for us two centuries ago. The supporters of my association include the members of the Ketocton Association of Regular Baptists, the oldest Baptist Association in Virginia. It was Ketocton Association preachers such as John Leland, Jeremiah Moore and David Thomas who prevailed on the Founding Fathers and won their support for the Virginia Statute for Religious Freedom, an improved toleration clause in the Virginia Declaration of Rights, James Madison's Memorial and Remonstrance against Religious Assessments, and finally, the Bill of Rights.

We have justifiable concern that tax policy can become so confiscatory that citizens will simply have too little temporal property to realistically speak of liberty. If civil government demands too large a share of our property in taxes, only the state can have any options in its actions. The history of our faith, the struggle for liberty of conscience, and our duty to serve our God, our homes and our country compels us to take alarm at H.R. 3660. It is the most ambitious scheme to nationalize the children in our history. We remonstrate against the bill. Our objections are threefold:

1. The blatantly discriminatory tax policy which supports this legislation will cause the nearly total elimination of maternal care of small children.

2. This legislation will hasten the replacement of family life and motherhood with social parenting as we move toward the Swedish model of the working family.

3. The legislation blatantly discriminates against religious institutions, restricts liberty of conscience, and has dangerous consequences for religious liberty.

1. The blatantly discriminatory tax policy which supports this legislation will cause the nearly total elimination of maternal care of small children.

This legislation will tax the most desirable form of child care in order to subsidize the most undesirable form. The most desirable form of child care is that provided by the mother. Child care by relatives and close friends is also highly desirable when maternal care is unavailable. Yet none of these most desirable forms of child care can receive any assistance under this legislation because all of the funds will benefit certain governmentally favored day care centers that are approved by government officials. This means that mothers, families and friends will suffer higher taxes in order to subsidize the least desirable form of day care.

The higher discriminatory taxes that will be required to finance the governmentally funded child care centers will severely aggravate the financial pressures on many families, especially young families of childbearing ages. This will force even more mothers out of the home AGAINST THEIR WILL. In desperation they will have to choose an undesirable child care center which is unfairly rewarded with government largesse accumulated in part by forcing mothers to leave their children, work outside the home and pay higher taxes.

This outrageously discriminatory tax policy will force the nearly total elimination of maternal care of small children. Motherhood will have little meaning beyond a biological function. Children and their parents will become passing strangers in the night. Children will suffer irreparably.

The tax burden is not overstated. While the legislation provides only 2.5 billion dollars for the first year, Ed Ziglar of Yale University has stated that a full national child care program will cost 75 to 100 billion dollars per year. Very little has been said about where these tax revenues will be raised. It is certain, however, that American families will suffer the burden of paying them, and more financial pressure will be placed upon them.

Defenders of tax discrimination against mothers who care for their own children do exist, and they reach astonishing levels of absurdity in their arguments. Columnist Michael Kinsley has even accused these mothers of reaping discriminatory benefits if they fail to put their children in day care centers. Why? Because they pay no taxes if they care for their children. "In short", Kinsley claims, " working mothers who pay for child care bring an activity into the tax system that was previously performed tax free." This logic accuses all labors of love as being a form of tax evasion. There is absolutely no justification for discriminatory tax structure of the legislation.

2. This legislation will hasten the replacement of family life and motherhood with social parenting as we move toward the Swedish model of the the working family.

The social theory upon which this legislation is based is that of the Swedish model of the working family. In Sweden almost every man and woman is expected to work outside the home. A wide range of social services, including child care is provided "free." These services are not free , of course, because the Swedes must pay some of the most oppressive taxes in the world.

The high taxes reduce discretionary income to such low levels that it is almost impossible for parents to care for their own children. Parents are forced by the tax policy and economic structure to turn to the state for child care. The result is social parenting in which motherhood is replaced by statist child care workers.

The effects are seen in the destruction of wholesome family life and the triumph of the state encouraged view of the irrelevance of standards of moral conduct. Marriage, for its part is progressively eroded of moral significance as statist supremacy is asserted over the most private and intimate aspects of human relationships.

The state encouraged rejection of the sanctity of the family, however, has been one of the most marked characteristics of modern Western welfare states as worst demonstrated by Sweden. Certain social planners in the United States would have this country adopt the same degrading social programs of the Swedish model of the working family. They should be told, however, that fifty per cent of Swedish children are born out of wedlock. This social disaster occurs whenever such an anti-family view prevails as in Sweden.

We should not forcibly conscript any more young mothers into the involuntary servitude of the workplace. That many are already there involuntarily is shown by a recent Family Circle poll which indicated that 68% of working women respondees said that if given a CHOICE that they would prefer to be at home with their small children. This legislation clearly eliminates choice for women who prefer to stay with their young children.

3. The legislation blatantly discriminates against religious institutions, restricts liberty of conscience, and has disastrous consequences for religious liberty.

Thomas Jefferson wrote that, "I consider the Government of the United States as interdicted by the Constitution from meddling with religious institutions, their doctrines, discipline or exercises." James Madison deplored the notion that governmental magistrates "may employ religion as an engine of civil policy." These principles will be thoughtlessly swept aside by this legislation.

Section 19 of the bill requires radical purging of all sectarianism, religious symbols and full time sectarian teachers. Only secular day care centers can receive federal vouchers benefits. This constitutes a Congressional establishment of a particular religious worldview - a secular one - and discriminates against other religious worldviews.

How will the federal government ensure that only the established religious worldview receives federal financial assistance? Some kind of religious inspectors must evaluate government buildings, pictures, symbols, statues, symbols, music, personnel and programs to determine the existence of manifestations of unacceptable quantities of the monotheistically religious worldview. The horrors of surveillance of religion by government are at hand.

The prospects for helpful legislative revision of this section are bleak. Even if an uneasy political consensus could be reached that would allow passage of this bill, Congress is no longer the most important legislative authority on this issue. The federal courts will legislate revisions to conform to the tripartite test of Lemon v. Kurtzman of 1971. Basically, the Supreme Court said that laws must have a secular legislative purpose, must neither advance nor inhibit religion and must not result in excessive entanglement of government in religion. There is no possible way that any religious institution that is at all serious about its programs could accept this kind of government intrusion.

The recent passage of the Grove City Bill raises even more dangerous issues. It makes certain that the ENTIRE religious institution is subjected to massive federal controls if it receives federal financial assistance.

A final federally encouraged intrusion into religious institutions is found in Sections 12 and 18 concerning licensure. The structure of the state and national advisory panels clearly discriminates against those churches which have religious convictions against licensure. No federal legislation should ever be allowed to pass which uses the federal treasury to pressure state to license religious institutions.

Mrs. **Kennelly**. Thank you, Mr. Clayton.
Mr. Rector.

STATEMENT OF ROBERT RECTOR, POLICY ANALYST, SOCIAL WELFARE AND URBAN AFFAIRS, THE HERITAGE FOUNDATION

Mr. **Rector**. I would like to start by saying that the views that I will express do not represent the Heritage Foundation but they, rather, represent my views. The Heritage Foundation does not take positions on particular pieces of legislation.

I would like to say that I oppose the ABC bill as an approach to child care because, in the United States today, there are 10 million children under the age of 5 whose mothers are not employed and who would receive no support under this bill. There are 4 million children under the age of 5 whose mothers are employed that are cared for by relatives, such as a grandparent or the parent itself, and those children would be excluded and ignored under this bill.

There are 2 million children under age 5 in unlicensed, informal neighborhood caregivers who would also be excluded, and there are roughly 1 million children in private sector, for-profit day care centers who would also be very unlikely to receive support under this bill.

Overall, the ABC bill is a piece of special interest legislation which funds a select group of institutions, but excludes 95 percent of the preschool children in the United States from assistance.

Second, I would like to say that any policy that is focusing on the needs of poor families with children should begin by recognizing that among families earning less than $15,000 a year, the largest single category happens to be mothers on welfare. But the second largest category happens to be traditional families, two-parent families, where only the husband is working and the mother has voluntarily selected to remain out of the work force to care for her own children. A pro-family policy on child care should begin by focusing on those families rather than treating them as an afterthought or excluding them from consideration entirely, as does the ABC bill.

Currently, we have many programs in the United States for families using day care. We spend close to $6.9 billion in the Federal Government on day care. The Federal Government funds over 40 percent of the total cost of day care in the United States. But we have no programs addressing the needs of families where they are making an economic sacrifice so that the mother may remain at home to raise her own children.

In our society, we often talk about the financial need and necessity of women going into the work force. But the simple fact of the matter is that there are many millions of families where the husband's income is lower than that of the husband's income in two-parent families that voluntarily make the choice to put their priority on their children instead of on enhancing family income. Those families are excluded and ignored by the policies that are currently being touted inside the Congress.

I would say that the real problem facing American families today is a different one. The problem is that American families are overtaxed. In 1950, a family of four with two children at the median income would have paid 2 percent of its total income in Federal taxation. That same family today would pay roughly 24 percent of its income in Federal taxation. In many cases, this excessive level of taxation is directly responsible for forcing the mothers of young children into the work force in order to restore family income when they would prefer to remain at home and to care personally for their own children.

Any policy which seeks to meet the needs of American families with young children should begin by seeking to reduce this excessive level of taxation, not to continue to impose upon American families ever-growing tax burdens and try to compensate that by selectively bureaucratically driven social service provisions.

I think that this policy of helping families with young children is well addressed by Congressman Schulze's toddler tax credit which provides a $750 tax cut for every child under age 6 and provides for a substantial expansion of the earned income tax credit for families earning less than $10,000 a year. Under the proposal, a family with two children earning $8,000 a year would receive $2,000 in payments through the expansion of the earned income tax credit.

It is also extremely important to recognize that even low-income families in the United States do pay substantial taxes. For example, according to my calculations, a family of four today earning $15,000 pays roughly 10 percent of its income to the Federal Government in taxation. Under the toddler tax credit, that tax level would be cut to one percent.

I think the way to help low-income families meet their needs and help them to raise their children is not to tax them and then to return some portion of that money to them as a Federal grant with a bunch of strings attached to it. It is simply to stop taking so much money away from them in the first place.

The second point that I think is very important is the point of religion and discrimination against religious institutions. I think we can all agree that there are some people in this society who think that religion should be relegated to a sort of avocation on Sunday mornings and should be excluded from the rest of society. I trust that no one on this committee believes that, but we have again another policy in which religious values will be pushed into the corners of society.

The ABC bill, even as revised, would not provide assistance to a day care center which actively provides religious values through Bible studies, oral prayer, songs and audiovisual equipment. This would mean that religious day care centers who actively did seek to provide religious values and outlook to young children would either have to purge themselves of that religious content in order to be eligible for subsidies, or would be forced to compete without subsidies against heavily subsidized secular facilities, and would eventually be driven into the corners of the market.

I think we can all recognize the value of religion in society, and particularly the value of religion in the lives of poor people in the United States today. If, for example, we compare black teenagers in the inner city today, those teenagers who have religious values in comparison to those of similar socioeconomic standing who do not, we find that those with religious values are 40 percent less inclined to drop out of high school, 50 percent less inclined to abuse alcohol, and 50 percent less inclined to engage in criminal activity.

It would be an extremely regrettable social policy that deliberately limited the ability of parents of poor children to place their children in child care environments where religious values are provided for them. But any bill which focuses on direct grants will, in fact, result in that regrettable situation. But a bill that places funds directly into the hands of parents and allows them to choose what environment is most appropriate does not avoid the Gordian knot of this religious entanglement question.

The third point I would like to make is that there are a number of very loose statements, some of which we heard today, concerning the fact that women on welfare do not work because of a lack of day care. I would say that, in general, including some of the statements we heard today, these are a complete misrepresentation of the actual studies being cited, and that if one actually reads these studies, they do not indicate that.

We do have a long wealth of historical data, particularly the Gary, Ind., income maintenance experiments and the Seattle and Denver income maintenance experiments, which indicate that an absence of day care does not prevent women from working. For example, in the Gary, Ind., study, free day care was provided to welfare mothers and low-income mothers, and there was virtually no increase in the usage of that free day care. Similar results in Seattle and Denver, but not quite as striking.

Fourth, on the question of regulation, I think that the ABC bill is a very appropriate example of why the Federal Government should not be involved in Federal day care regulation. This bill has now been before us for about 5 months. I know of no study—although one of the key provisions of the bill is to raise the child-staff ratio standards in 25 States, I do not know of—and I apologize if this study does exist, but I have not seen it—even a single paragraph of analytic study that would address the question of what that provision in the bill would do to the cost of day care in the States or the availability of day care.

They are simply operating in a total vacuum, and I would cite a recent study in child care review that indicates that those provisions will raise the cost of day care by $1.2 billion, particularly in Southern States, and will displace some 700,000 young people. Particularly important in this regard is the fact that since private sector day care providers are not eligible for assistance, by raising their standards you will put many of them out of business, and you will displace the children over into subsidized day care centers of a nonprofit nature, which I think is regrettable, hopefully not intended, again not clearly thought out.

Another amazing provision of this bill is that it requires that all States, when they become eligible for ABC fundings, must lock in their current day care regulation and can never, during the subsequent history of the United States, make them less rigorous than they are today.

What this would mean, for example, is that in California, in a publicly funded day care center, all day care workers must now take 14 college courses in order to be eligible to be a day care worker in those centers. If at some subsequent date the State of California decided that 14 courses was inappropriate and perhaps

13 was more appropriate, they would be prohibited from changing that law and regulation under this bill.

Again, clearly, it is an indication of why the Federal Government should not be directly involved in day care regulation.

A final point with regard to this is that very often unregulated, unlicensed day care providers are maligned in these hearings. I would simply refer to the one study that we do have of unlicensed day care in the United States which shows that far from being a monstrous threat to children, the typical unlicensed day care provider, of which there are about 1.6 million in the United States, is a woman taking care of one child of her own and two other children. The study found that family day care overall, regulated or unregulated, provides a stable, warm and stimulating environment that caters successfully to the developmentally appropriate needs of children, and that parents who use family day care reported satisfactorily meets their child care needs. And the cost is reasonable. In fact, the amount of attention provided per child in unlicensed family day care is higher than in any other form of paid day care in the United States.

The study also indicates that unregulated day care is not harmful or dangerous, and that the scientists conducting the study were "consistently impressed by the quality of care they saw regardless of regulatory status."

Let me conclude by saying that I think that a pro-family child care policy in the United States should rest on the following principles: One, that all children are important, not just those children which are using professional day care; two, the policy should not discriminate against families which are making an economic sacrifice so that the mother can remain at home to care for her own children; and, three, it should focus on putting funds directly into the hands of parents rather than putting those funds into the hands of institutions and bureaucrats; and it should allow parents to choose the purpose for which those funds will be expended, either to pay for day care, to raise the family's standard of living, or to allow the mother to work less and remain with her children more.

I think this is a policy which would be overwhelmingly supported by American parents in contrast to a policy which focuses on and prioritizes institutional care for children where both parents are working.

Thank you.

[The statement of Mr. Rector follows:]

STATEMENT OF ROBERT RECTOR, POLICY ANALYST, SOCIAL WELFARE AND URBAN AFFAIRS, THE HERITAGE FOUNDATION

INTRODUCTION

I wish to thank the Committee on Ways and Means for this opportunity to testify on the important topic of child care and the American family. I am gratified that the Committee on Ways and Means is holding hearings on the child care issue. This committee has the principal responsibility for shaping national child care policy. At present it has an opportunity to fulfill that responsibility and to assist families in the task of raising young children by restoring the pro-family principles of the tax code which have been badly eroded over the last three decades.

In addressing the issue of child care and American families, particularly low income families, a number of points are important.

First, a true pro-family child care policy should rest on the premise that all children are important, not just those using professional day-care. Over half of the children under age five in the United States do not have mothers who are employed. Among young children with employed mothers, 75% are cared for by relatives or informal unlicensed day-care providers, roughly another 12% are cared for in "for-profit" private sector day-care centers. Thus, a bill such as the Act for Better Child Care which primarily supports children in public sector and non-profit day care centers would assist, overall, no more than one child in twenty. Clearly this is inadequate as a national child care policy.

Second, a pro-family child care policy would not discriminate against or exclude traditional two parent families where the mother makes a financial sacrifice to remain at home to raise her own young children. It is important to note that the number of traditional families with young children with incomes below $20,000 per annum is greater than the number of families with young children headed by employed single mothers in the same income level. Any policy dealing with child care and low income families should begin by addressing the needs of traditional families, where the mother does not wish to be employed, rather than treating such families as an after thought or ignoring them entirely, as the current ABC Bill does.

Third, a pro-family child care policy would not practice Robin Hood in reverse, taking from the poor and giving to the rich. Over 80% of the young children using day care come from two parent/two earner families. The median income of such families is roughly $38,000 per year. In contrast, the median income of two parent families where only one parent works is only $26,000 per annum. The ABC Bill would tax hard pressed traditional single earner families to provide subsidized day care to affluent professional couples. This is clearly an inadequate and improper national policy.

Fourth, the foundation of a sound child care policy should be to provide tax relief to all families with young children. Even low income families presently face high tax burdens. In many cases mothers of young children are pushed into the work force against their wishes to compensate for the erosion of family income due to excessive taxation. A pro-family child care policy would allow parents to retain a greater portion of their own hard earned income rather than creating a vast new subsidy system for bureaucrats and social service professionals.

Fifth, a policy to assist employed mothers in obtaining day care should seek to broaden, not to restrict, the options available to mothers. Day care is currently provided by relatives, by licensed neighborhood providers, by private sector, public sector, and non-profit centers. A sound child care policy should: recognize the wide range of quality day care available in our society; allow parents to choose the type of day care most appropriate to family needs; and support all families using day care equally, rather than restricting assistance to one type of care. The ABC Bill, which would restrict support primarily to public sector and non-profit day care centers, will not address the needs of most employed mothers; it is crude special interest legislation which places the aims of a segment of the social service industry above the needs of parents.

Sixth, a sound child care policy would recognize the importance of religious values to American society and to the poor. Such a policy would not discriminate against religious day care centers nor seek to limit the ability of those centers to present religious teachings, values, and vision to young minds. But any bill, such as the ABC, which provides direct subsidies to day care centers must inherently require that religious day care centers either purge themselves of religious content in order to qualify for subsidies, or force religious day-care centers to operate without subsidies in competition with government subsidized secular centers. In either case the role of religious day care, particularly in the inner city, will be diminished. No reasoning individual could conclude that this result will be desirable.

The toddler tax credit (H.R. 4434) introduced by Congressman Richard Schulze would establish a sound pro-family child care policy. The bill would provide a $750 tax cut to families for each child under age six. For low income families with young children which pay little in taxes, the Schulze bill offers a substantial increase in the refundable earned income tax credit. Families would be free to use the added disposable income in any manner which the parents determined met family needs: to pay for more or better quality day-care; to enable a mother to work less and remain with her children more; or to raise the family's standard of living. The bill does not discriminate against families in which a parent stays home, does not favor day-care centers over home care by relatives, and does not discriminate against religious day-care institutions.

DAY-CARE IN AMERICA

Proponents of the "day-care crisis" thesis maintain that traditional child rearing is a thing of the past and that nearly all mothers with young children are in the work force or soon will be. Thus, the argument goes, the interests of the day-care industry and the interests of American families have become synonymous. A massive increase in day-care services is needed and only the federal government is capable of financing it.

The facts speak otherwise. According to Who's Minding the Kids?, a 1987 Census Bureau report, only 45 percent of children under five have mothers in the work force.[1] Fewer than one child in three has a mother employed full-time, and fewer than one in five has a mother employed full-time throughout the year.[2] Even when the mother is employed, many families prefer to have the child cared for by grandparents, or other adult family members, rather than professional day-care providers. Nearly half of the young children whose mothers are employed are cared for by adult family members or relatives.

Refuting Conventional Wisdom. Thus far from being widespread, paid professional day-care of the kind envisioned in the Dodd-Kildee bill is used by only a small minority of American families. Overall, only one young child in three in the U.S. receives any form of paid day-care. No more than one in ten attends professional day-care centers of the sort that would be subsidized in the Dodd-Kildee bill.[3]

Conventional wisdom presumes that those using day-care generally are hard-pressed, low-income families. Again the facts speak otherwise. Some 83 percent of children under five in day-care are from two-parent/two-earner families.[4] The median income for such families in the U.S. is $38,346. The median income of a traditional two-parent family with one earner, on the other hand, is $25,803.[5] Not surprisingly, most of the benefits of the existing dependent care tax credit go to families with incomes over $30,000 per year.[6] In addition, when lower income families use day-care, normally they do not use professional group care facilities of the kind that would be subsidized in the ABC bill. They are more likely to use care by a relative or neighbor. Mothers in professional jobs are about three times more likely to put their children in professional group care than are mothers in blue collar or service worker jobs.[7]

The Alleged Shortage of Day-Care

Another common myth about day-care is that providers are in chronically short supply. Allegedly there is a "market-failure" that prevents day-care from expanding to meet increases in demand. The fact is there is no evidence of economic bottlenecks in day-care supply. On the contrary, day-care is one of the fastest growing sectors in the economy. Between 1960 and 1986, the number of children in formal group care centers skyrocketed by 1,500 percent from 141,000 to 2.1 million. The number of centers grew from 4,400 to 39,929. There are at least another 1.65 million unlicensed neighborhood day-care providers.[8]

Confirming that there is no material shortage of day-care is the price of that service. Were there shortages and constraints in the supply of day-care, prices would increase sharply. But in general the cost of day-care, measured in constant dollars, has stayed relatively unchanged for the past decade. While the cost of hiring a full-time sitter to care for a child in one's home has increased, the costs of "family day-care" providers and group care centers have remained constant or increased only slightly in real terms over the last ten years.[9]

The Department of Labor in its recent report on day-care, Child Care a Workforce Issue, found "no evidence in support of the contention that there is a general, national shortage of available childcare."[10]

Day-Care and Regulation

In the face of the hard evidence, why is there a perceived shortage of day care? For one thing, many day-care providers are subsidized or non-profit and charge less than the average market rate for their services. A great number of parents predictably seek the lower-priced services. The result: waiting lists.

For another thing, government regulation often prevents providers from serving parents. All states, for instance, require large-scale group day-care centers to be licensed. This may seem reasonable. But more than half of the states also regulate small neighborhood or what is known as "family day-care" providers caring for five children or fewer. In some states, if an adult cares for even one unrelated child outside the child's home the adult is judged to be operating a "day-care facility" and must obtain a license.[11]

Restricting Supply. In theory, these regulations are meant to protect children. In practice, they often are the product of an arbitrary bureaucracy and have little or nothing to do with the quality or safety of day-care. The major effect of zoning codes, building, and health regulations is, in many cases, to restrict supply. Most Americans would presume that a house or an apartment judged safe enough for a family to live in ought to be deemed suitable for a small day-care facility caring for five children or fewer.[12] But local regulators disagree. Often, building codes designed for restaurants and orphanages are applied to small neighborhood family day-care providers, forcing expensive structural changes that make it uneconomic to provide day-care services.

In Texas, for instance, neighborhood providers can be required to install three stainless-steel sinks and a vent over the stove. In California, family day-care homes have been required to install sprinkler systems and fire-retardant walls; one woman, seeking to expand enrollment in her six-child day-care home, was told that she would have to install separate bathrooms for boys and girls. And the bathrooms would have to be made large enough to accommodate wheelchairs.[13]

In state after state, day-care providers have been cited for absurd or bizarre regulatory abuses. Among them:

*During the licensing process, one day-care provider was asked to assess the center's "vulnerability to terrorist attacks."

*A center was required to develop "lesson plans" for toddlers, detailing all activities for the entire day in ten-minute intervals.

*Following an inspection, one provider received a state reprimand form stipulating that "all dolls should be clothed during business hours."

*In an annual licensing examination, a fire inspector required one day-care provider to rehang a door to open outward. The next year, another inspector required that the door open inward. In the third year, yet another inspector demanded that the door be rehung to open outward. Complying with each demand, of course, required expensive carpentry.

*A building inspector required a day-care center to erect a six-feet high, 900-feet-long fence around its property to protect the children. Later that year, another inspector demanded that the fence be lowered to four feet to make the environment more "home-like."[14]

Preferring Neighborhood Women. In the face of such costly and arbitrary red tape, most family day-care providers take the simplest course: they operate without a license in the so-called underground market. The result: as many as 95 percent of the nation's 1.75 million neighborhood providers are unlicensed and unregulated.[15] Moreover, unlicensed day-care provided by women well known within their neighborhoods often is preferred by parents because it is less impersonal, less expensive, and more convenient.

Advocates of institutional care for years have argued that unlicensed neighborhood providers are unsafe and need stricter government regulation. Yet there is no systematic evidence that day-care by unlicensed providers is in general less safe and less healthy than care in large regulated day-care centers. Indeed, the evidence suggests the opposite. Nationally publicized cases of alleged sexual abuse in day-care, such as those involving the West Point Daycare Center and the McMartin School in California, have occurred in large fully regulated day-care centers. The National Child Care study shows that smaller "family day-care" providers are more attentive to children's emotional needs than are larger group centers.

The most significant threat to the health of young children in day-care is the spread of contagious diseases. Smaller, generally unlicensed, neighborhood facilities pose less threat than do large, regulated facilities. Dr. Stephen Hadler of the Centers for Disease Control explains that larger centers place more children in contact with each other, thereby increasing the chances of contracting serious infectious diseases. Says Hadler: "The larger the center or the longer the hours, the greater the chance [of infectious disease occurring]."[16]

Undermining Children's Health. Research on day-care and disease suggests that children under age two should be placed in facilities caring for six or fewer children. Policies as those proposed in the ABC bill, which would tighten the net of day-care regulations, driving many small scale providers out of business, and which would subsidize primarily large professional day-care centers, would undermine the health of American children.

State governments, of course, have responsibilities regarding day-care. State legislators for example, should work to ensure that persons who pose health risks to children and persons with criminal backgrounds are barred from day-care. And state lawmakers should prune the current thicket of unnecessary regulations imposed on day-care providers. However, adding a new layer of federal day-care regulations to existing state and local rules, as proposed by the ABC bill, is unnecessary and counterproductive.

PROVISIONS OF THE ABC BILL

The ABC bill runs counter to day-care experience and evidence. The objectives of the proposal are to reduce the cost of day-care, to raise the pay of day-care workers, to improve quality, and to expand supply. In reality, the bill would reduce day-care supply and quality while raising its price, and provide subsidies to those who need them least.

The bill authorizes $2.5 billion in new federal day-care spending. Even its proponents admit this is merely a tip of a future iceberg of government day-care spending. Dr. Edward F. Zigler, of the Yale University Bush Center in Child Development and Social Policy, one of the nation's most eminent authorities on pre-school programs, estimates that a comprehensive program of quality professional child care would cost between $75 billion and $100 billion a year.[17]

Swallowing $2.5 Billion. Rather than giving the $2.5 billion directly to needy families, enabling them to purchase day-care, the ABC bill proposes a "trickle-down" strategy, filtering the funds through multiple layers of expensive federal and state bureaucracy in order ultimately to subsidize government-selected day-care centers at the local level. Even when the funds actually reach local day-care centers, there is nothing to prevent them from being swallowed up by increased salaries and supervisory costs.

At the federal level, the bill would create a "National Advisory Committee on Child Care Standards" and an "Office of the Administrator of Child Care" in the Department of Health and Human Services. A new bureaucracy would allocate monies among states, monitor and approve state "comprehensive day-care plans," and enforce extensive new federal regulations. At the state level, an array of governmental and quasi-governmental organizations would be created and sustained by taxpayer funds. These would include 100 permanent day-care commissions mandated in the legislation, new day-care planning offices, day-care referral agencies, day-care inspectors and regulators, and a new national network of training centers for day-care providers.

To be eligible for funding, each state would have to comply with new federal regulations and provide 20 percent matching funds. States would not be required to provide federal funds to all day-care providers, only to selected institutions. Which organizations receive such aid surely will be determined in great part by local bureaucratic politics.

A New Federal Regulatory Empire

The bill would set "minimum" federal standards and regulations in day-care. Each state accepting ABC funds would be required to enforce these federal regulations. The state would be allowed to retain its own regulations only to the extent that they were more stringent than the corresponding federal standards. Each state, moreover, would be required to hold all its day-care providers to federal standards, not simply those receiving federal funds. Thus the bill would attempt to bring all 1.65 million informal, unlicensed neighborhood providers, as well as the nearly 40,000 group care centers, under federal control.

Boosting Costs Per Child. All day-care personnel, including neighborhood providers, would be forced to receive at least two days "training" each year in government-authorized training centers. All states would have to set maximum child/staff ratios for group care centers equal to the current nationwide median child/staff standards. Thus in half of the states, day-care centers would be required to raise existing staff levels, immediately sharply boosting cost per child enrolled.

"Minimum" federal day-care standards also would be developed by the new National Advisory Committee on Child Care Standards. Two-thirds of the members of this body would be selected by Congress and one-third by the President. These minimum standards would establish additional child/staff ratio requirements, more stringent educational and training qualifications for all day-care workers nationwide, and additional health and building safety regulations. The Committee also could establish federal curriculum requirements for day-care, although the bill does not require that it do so.

The ABC bill is structured to ratchet in future regulatory expansion. In one bizarre provision, the bill allows states to increase day-care regulations, but once new state regulation was is effect, the state government would be barred permanently from making it less stringent, even if the regulation exceeded federal standards and was found to be counterproductive. Similarly, once the initial federal regulations were promulgated, the Department of Health and Human Services would be barred permanently from making any regulation less severe-- but the Department would be permitted, year after year, to make the standards stricter.

THE LIKELY EFFECTS OF ABC

An obvious solution to alleged day-care shortages would be to give families money to purchase more or better quality day-care for their children. Day-care providers then could respond to increased demand by expanding and improving their services. Parents would be free to choose the day-care providers who best met family needs.

Instead of this, the Dodd-Kildee bill would fund bureaucrats and day-care professionals rather than families. Yet bitter experience demonstrates that bureaucratic subsidization of services is the least efficient means of meeting public needs. Example: Public housing units cost 40 percent more to construct than comparable private sector units and often begin to fall apart within a few months after completion.

While the ABC bill contains a minor provision allowing states to provide day-care vouchers, which would stimulate consumer choice, no state is required to provide vouchers. Vouchers are mentioned in only two paragraphs of the 63-page bill. In practice, little if any of the ABC funding would reach parents in the form of vouchers.

Why does the ABC bill fund institutions rather than parents? The answer makes sense only in Washington's hothouse world of making policy. Parents have no clout on Capitol Hill; by contrast, those who would be funded by the Dodd-Kildee legislation (bureaucrats, planners, consultants, regulators, trainers, and state service providers) are represented on Capitol Hill by a well-organized army of lobbyists.

Cost, Quality, and Supply. Total nationwide spending on day-care, both public and private, is about $15 billion per year. The ABC would increase this spending by about 20 percent. But because of its increased regulation and "trickle-down" funding, the ABC bill is likely to raise costs and restrict the supply of day-care rather than increase it, at least among licensed providers.

Nor is it likely that the regulations will raise the quality of care. Higher staff/child ratios would raise costs dramatically. But the 1979 National Day-care Study commissioned by the Department of Health, Education and Welfare found very little correlation between staff/child ratios and quality.[18] Operators of day-care centers in California point out that state credentialing rules, requiring day-care workers to have completed college course work in child development, significantly raise salary costs while barring many competent and caring persons from employment -- nearly all mothers and grandmothers are deemed unfit to work in day-care centers.

Benefits Few Children. The 54 percent of children under five whose mothers do not work would receive no benefits from the Dodd-Kildee proposal. Even among those children who receive day-care, only a small number would receive assistance through ABC. Funds that trickled down through the bureaucratic labyrinth would be channeled primarily toward professional group care centers. Children who receive care from relatives or from the millions of unlicensed neighborhood providers would be ineligible for assistance; together these two groups comprise roughly 75 percent of all young children in day-care.[19] Overall, no more than one young child in ten would be likely to receive subsidized care under the ABC plan.

Reverse Robin Hood. The Dodd-Kildee bill would take from the poor to give to the wealthy. Over 80 percent of day-care users are two-parent/two-earner families. Two-parent/two-earner families have a median income which is nearly 50 percent higher than the income of traditional two-parent/single-earner families. Under ABC, traditional two-parent/single-earner families would be taxed to provide day-care subsidies for more affluent families with two earners.

Though children of needy single working mothers also would receive subsidized care, they are only a small percentage of the children using day-care. Moreover, the median income of single mothers who work full time is $21,958 per annum. After adjustment for differences in family size, this is only slightly less than the median income of two parent/single-earner families, which would receive no benefits.

True, the ABC bill does attempt to ensure that subsidized care goes only to families with incomes below 115 percent of the state median for families of comparable size. But such a limit would include many families with high incomes. In California, for instance, a family of four with an income of $41,656 would be eligible; in Maryland the limit would be $46,063; in New Jersey, $46,929. Moreover, two-earner families with incomes above the 115 percent threshold already receive billions of dollars in day-care subsidies through the current day-care tax credit.

While ABC proponents make pronouncements about aiding low income families, the bill would not require that any specific percentage of its funds to be targeted to low income families. The bill does not even require states to report the portion of ABC funds that actually reach low income beneficiaries.

Th**e Assault on Religion.** Sections 19 and 20 of the original bill stated that a day-dare center in a religious institution which receives any ABC funding, either directly or through vouchers, is prohibited from providing any religious influence on the children in its care. This means that children could not say grace over their milk and cookies. In any room used for day-care within such an institution, religious pictures and images would have to be turned to the wall or covered with sheets to hide them from children's eyes. Any teacher or teacher's aide at a religious school would be barred from working in or assisting on an unpaid basis in a care center located in the school. Religious day-care centers receiving funds would be barred from favoring members of their own faith when hiring child-care workers. And all religious day-care centers, even those which refused federal funding, would be subject to federal regulations concerning the educational and professional qualifications of day-care staff, child/staff ratios, and possibly curriculum.

The effect of these provisions would be to "sanitize" church-run day-care centers of their religious content. Centers that refused to be fully secularized would be denied federal assistance, and thus placed at a substantial economic disadvantage and forced to play a gradually smaller role in the child care market.

Heavy Tax Burden. The long run picture is even worse. The backers of ABC explicitly envision government-subsidized day-care as the principal form of child care in the near future. Parents who wished their children to be raised in a religious environment would be barred from government assistance while being forced to bear a heavy tax burden to support a nationwide system of secularized day-care of the children of other parents.

Even if these extremely offensive provisions are struck from the bill, the impact would differ little, since federal programs must comply with the prevailing Supreme Court view of the separation of church and state. According to this view, restrictions on religious activity are inherently linked to any federal subsidy. Example: The Department of Housing and Urban Development recently barred religious services in Salvation Army shelters for the homeless which received partial HUD funding. Similar restrictions have not yet been imposed on religious institutions receiving Head Start and Title XX day-care funds only because no litigation has yet been instituted. With the massive funding available under ABC, cases would not be long in coming.

Any program of direct subsidization of day-care, or even the provision of day-care vouchers, ultimately will restrict the activities of religious day-care centers. Such a program will tend to force religious institutions to abandon the day-care field by placing them at an economic disadvantage.

Penalizing the Inner City. Church-run centers in the inner city would be the greatest victims of this no-religion policy, an ironic result given Dodd-Kildee's professed aim of helping the poor. While early childhood development strategies touted in the ABC plan are seldom of enduring benefit to disadvantaged children, religious institutions and the strong moral values they inculcate have an unchallengeable record in helping inner city youth escape from drug addiction, illiteracy, and poverty.[20]

REDEFINING THE DAY-CARE ISSUE

Even if the Dodd-Kildee proposal worked exactly as its proponents contend, it still would be bad public policy. Families with young children currently use four different methods to care for their children: care by the mother; care by relatives; care by informal neighborhood providers; and care in professional group care facilities. Toward these four, government policy should take a neutral position, allowing parents to choose the approach they prefer. Uncle Sam should not subsidize one mode of child-care to the detriment of the others. In particular, policy should not discriminate economically against families in which a child is cared for by its mother or relatives.

This is especially true since there is evidence that care by a mother is best for the physical health and psychological development of small children. Young children in day-care are much more likely to contract serious infectious diseases such as hepatitis, cytomegalovirus, and haemophilus influenza type b (HIB), a bacteria that can cause pneumonia and lethal meningitis. Dr. Jay Belsky, a leading authority on child development, warns that separating an infant from its mother may cause "insecure attachment" to the mother, disrupting the child's emotional development and leading to aggressive and uncooperative behavior in later years. This does not mean that parents should rush to abandon day-care, but it does call into question any government policy that deliberately discriminates against mothers at home while subsidizing the entry of mothers with young children into the labor force.[21]

Federal policy already discriminates against traditional families where the mother is not employed; ABC would introduce further discrimination. Through tax credits and direct outlays, the federal government provides between $5 billion and $6 billion in financial support to families with children using day-care. Nearly 40 percent of the cost of day-care nationwide is financed by the federal government.[22] ABC would provide an additional $2.5 billion in federal spending plus a half billion dollars in matching state funds. The federal government already provides roughly twice as much financial assistance to each young child in a two-parent family using day-care, through tax exemptions and credits, as it does to a young child in a traditional two-parent family where the mother remains at home--despite the fact that traditional families in general have lower incomes.[23] If the ABC bill passed, this ratio would rise to three to one.

The Real Problem: Families are Over-taxed

American families do face significant policy-related problems in trying to raise their children. The most important problem is a tax code biased strongly against children. In 1948, a family of four at the median income level would have paid 1 percent of its income to the federal government; in 1984, the same family would have had to pay 17.5 percent. Eugene Steuerle, a Treasury Department tax specialist, notes that between 1960 and 1984 the average tax rate for single persons and married couples with no children did not increase, but for a married couple with two children it climbed 43 percent; for a family with four children, tax-rates increased 233 percent.[24]

The major cause of this growing anti-family distortion of the tax code has been the eroding value of the personal exemption. In 1948, a personal exemption of $600 equalled 42 percent of average personal, per capita income, which was then $1,434. Over the following 35 years, the personal exemption lagged far behind as incomes rose and inflation soared. While the 1986 tax reform is raising the value of the exemption to $2,000, this only partially offsets the erosion suffered since the 1940s. To have the same value relative to income it held in 1948, today's personal exemption would have to be raised to $6,468. Many women with young children now enter the work force when they would prefer not to because their family income has been eroded by excessive taxation.

CRAFTING A PRO-FAMILY POLICY

A policy designed to support the American family would begin not by subsidizing families that use professional day-care while further taxing families that choose other child care methods. Instead, policy would reduce the present oppressive tax burden on families with children. Such a policy would be based on six principles:

1) Tax relief or financial support for all families with young children. This policy would not discriminate economically against families where the mother remains home to care for her own children. Families where children are cared for by a mother, a grandmother, or a day-care center should all be treated equally.

2) Financial resources directly for families with children instead of funding for bureaucrats and social service professionals.

3) Tax reduction for middle income families and grants for lower income families who pay little or no taxes. Any grant system must foster self-support rather than dependency.

4) Use of the added income in any manner chosen by the family. This could be to offset the loss of income when a mother stays at home, to allow a mother to work less, or to pay for additional day-care.

5) No federal regulation of day-care and no restrictions on the type of day-care that the family could purchase with the tax rebates or funds provided. Funds could be used for day-care by a relative, an unlicensed neighborhood provider, or a professional day-care center.

6) The greatest relative support for working class and low-income families.

The starting point of a pro-family policy would be to restore the value of the personal exemption for young children back to the relative level that existed in the 1950s. Low income, working families with children, currently paying little or no taxes, would receive cash assistance through an expansion of the Earned Income Tax Credit. The EITC is a wage supplement which pays benefits as a fixed percentage of earned income. In traditional welfare programs, benefits are linked to negative behaviors, such as out-of-wedlock births, prolonged unemployment, and marital disintegration. The EITC operates in the opposite manner: it rewards socially constructive behavior, promoting responsibility, work, and family stability. Only individuals who work receive EITC payments. In traditional welfare programs, the more an individual works, the more his benefits are reduced. With the EITC, benefits are increased the more the recipient works.

The Schulze bill would:

1) Provide families with incomes over $13,000 a tax credit of $750 for each child under age six to be applied against federal income and social security taxes. If the value of total tax credits exceeded tax liabilities, the balance would be refunded in cash.

2) Provide families with incomes below $8,000 per annum a cash refundable "earned income tax credit for young children" (EITC/YC). This EITC/YC would provide a wage supplement of $15 for each $100 earned by the parent for the first child under age six in the family. For each additional child under age six in the family, a wage supplement of $10 for each $100 earned would be paid. Thus a family with two young children earning $8,000 would receive $2,000.

3) Reduce for families with incomes between $8,000 and $13,000 the EITC/YC rate incrementally from 15 percent for the first child under six and 10 percent for each additional child to 5.75 percent per child.

4) Replace the existing dependent care tax credit for children under six with the "toddler tax credit." For children over six the existing dependent care credit would be continued.

5) Limit eligibility for the EITC/YC to families with working parents. Families in the Aid to Families with Dependent Children program would not be eligible for the EITC/YC. AFDC families would continue to be eligible for direct government payments for day-care up to $160 per child per month.

Approximately 18 million young children would be eligible for tax relief or cash assistance under the Schulze bill. The program would be phased in over a five-year period. During the first three years, federal outlays under the Schulze plan would be about $250 million per annum compared to $2.5 billion under the ABC plan. The Schulze plan would provide approximately $2.25 billion per annum in tax cuts for families with young children during the first three years. By the fifth year, tax relief for American families under the Schulze proposal would exceed $8.5 billion per annum. After the fifth year both the tax credit and the income levels used in determining the EITC/YC payments would be indexed against inflation. Overall, the policy would help remove the anti-child bias in the tax code.

CONCLUSION

Most women will spend many years in the paid labor force. The choice of whether a mother, particularly a mother with young children, should or should not be employed must be made by each family. The government should not bias that choice through its outlays and tax code. The government does bias that choice as long as it taxes families in which a mother remains with her children to provide subsidized day-care to families where the mother is employed. Similarly, in families where the mother is employed, the choice as to what type of day-care is most appropriate should be made by the family, and not by government bureaucrats.

Eliminating the Anti-Child Bias. The Dodd-Kildee ABC bill discriminates against families where the mother makes an economic sacrifice to remain at home and care for her children; by contrast, the "toddler tax credit" treats all families with young children equally. The ABC plan funds bureaucrats and social service professionals; the toddler tax credit funds families and children. The ABC bill would assist, indirectly, no more than one child in ten; the toddler tax credit would assist directly all working families with young children.

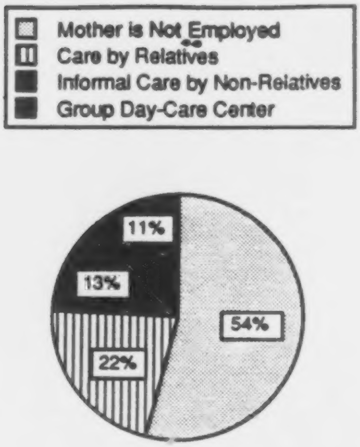
The ABC bill would create a new social welfare bureaucracy but would do little to aid families with children. A true pro-family policy would begin by eliminating the anti-family/anti-child bias that has crept into the federal tax code over the last three decades. Such a policy would strengthen families by recognizing that American parents, not federal bureaucrats, are best able to determine how money should be spent to meet their family needs.

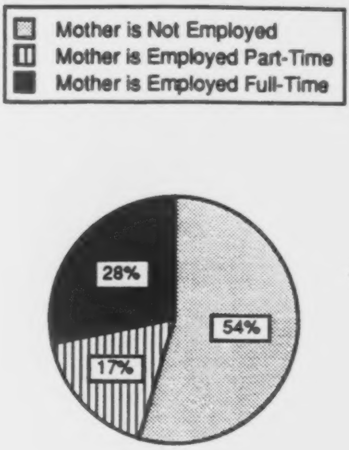
Can the U.S. afford the toddler tax credit? The answer is yes. The simple fact is that American families are over-taxed to provide billions for wasteful spending. Congress must decide which is more important: children or subsidies for surplus cheese. Even after its full implementation in 1993, the toddler tax credit would reduce federal revenues by only one half of one percent per annum. But at this minor cost, the government could provide support vitally needed by young children and their parents.

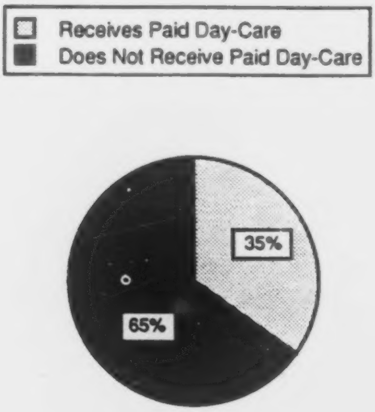
Not withstanding the pressure of Gramm-Rudmann guidelines on the budget, it is worth noting that both the Reagan administration and Congressional liberals have proposed significant new domestic spending initiatives costing many billions of dollars per annum. Even the proposed Reagan administration budget for next year contains roughly nine billion in new domestic spending initiatives.

Congress should come to the aid of American children by restoring family income through tax reduction rather than setting the foundation for massive new federal spending through ABC style programs.

Patterns Of Childcare For Children Under Age Five

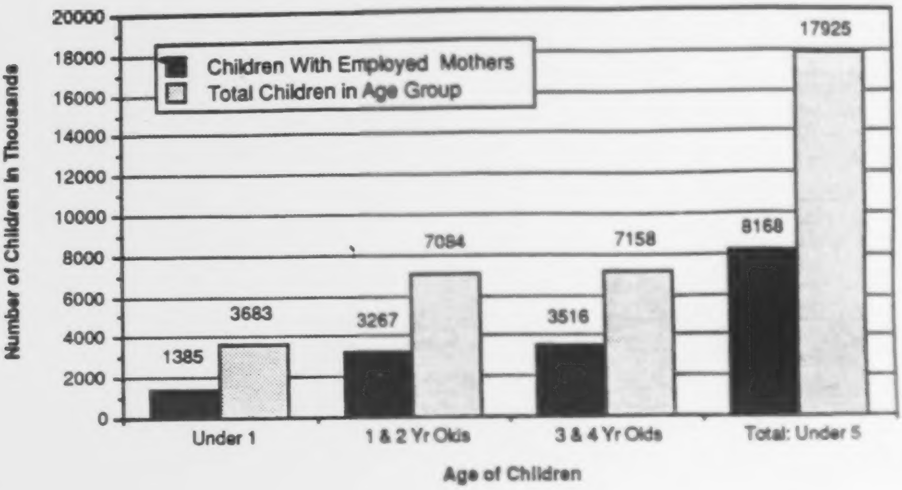


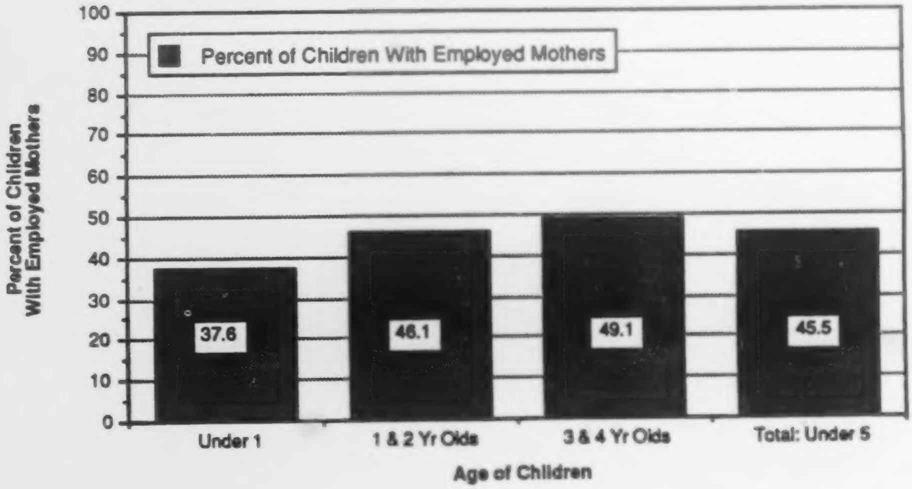




SOURCE: The Bureau of the Census, U.S. Department of Commerce, "Who's Minding the Kids?" Household Economic Studies, Series P-70, No.9, May 1987. Data for this census report were collected through a day-care survey conducted between December 1984 and March 1985. Numbers on total children in specific age groups are for January 1985: data provided by the Bureau of the Census.

Young Children Whose Mothers Are Employed (By Age Group)





SOURCE: The Bureau of the Census, U.S. Department of Commerce, "Who's Minding the Kids?" Household Economic Studies, Series P-70, No.9, May 1987. Data for this census report were collected through a day-care survey conducted between December 1984 and March 1985. Numbers on total children in specific age groups are for January 1985: data provided by the Bureau of the Census.

APPENDIX
Mother's Employement and Types of Childcare for American Children

Table 1 Young Children whose Mothers are Employed by Age Group
(numbers in thousands)

Age of Child	Children with Employed Mothers	Total Children In Age Group	Percent with Emloyed Mothers
Under Age One	1,385	3,683	37.6%
One and Two Year Olds	3,267	7,084	46.1%
Three and Four Year Olds	3,516	7,158	49.1%
Total: Under Age Five	8,168	17,925	45.5%

Table 2 Children Under Five and Mother's Employment Status
(numbers in thousands)

Employment Status	Children Under Five	Percent of All Children Under Five
Mother is Not Employed	9,757	54.4%
Mother is Employed Part-time	3,108	17.3%
Mother is Employed Full-time	5,060	28.2%

Sources for Tables 1 and 2: The Bureau of the Census, U.S. Dept. of Commerce, "Who's Minding the Kids?" *Household Economic Studies*, Series P-70, No.9, May 1987. Data for this census report were collected through a day-care survey conducted between December 1984 and March 1985. Numbers on total children in specific age groups are for January 1985: data provided by the Bureau of the Census.

Table 3 Type of Day-care Arrangement: Children Under Five

Type of Child Care	Number of Children in Each Type of Care	Total Children Under Five	Percentage of Children in Each Type of Care
Mother is not Employed: Care by Mother	9,759	17,925	54.4%
Mother is Employed: Care by Relative	3,920	17,925	21.8%
Mother is Employed: Informal Care by a Non-relative	2,298	17,925	12.8%
Mother is Employed: Care in Group Day-care Facility	1,948	17,925	10.9%

Sources: Same as Tables 1 and 2.

1. Bureau of the Census, U.S. Department of Commerce, series p-70, No. 9, May 1987, *Who's Minding the Kids?* The data in this report are taken from a special census survey of child care from December 1984 to March 1985.

2. Estimated from Douglas J. Besharov and Michelle M. Dally, "One Policy for Working Moms Won't Fit All," *The Wall Street Journal*, October 29, 1986. Besharov's figures show that no more than 70 percent of full-time employed mothers with young children work full-time year round.

3. Bureau of the Census, *op. cit.*

4. *Ibid.*

5. Douglas J. Besharov, "The ABC's of Child-care Politics," The *Wall Street Journal*, March 9, 1988.

6. Committee on Ways and Means, U.S. House of Representatives, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means* (Washington, D.C.: Government Printing Office, 1984), p. 604.

7. Bureau of the Census, *op. cit.*, p. 8.

8. Susan Rose-Ackerman, "Unintended Consequences: Regulating the Quality of Subsidized Day-care," *Journal of Policy Analysis and Management*, Vol. 3, No. 1 (1983), p. 15. Sandra L. Hofferth and Deborah A. Phillips, "Child Care in the United States, 1970 to 1995," *Journal of Family and Marriage*, August 1987, p. 565.

9. Sandra L. Hofferth, statement before the select committee on Children, Youth and Families, July 1987, p. 9.

10. U.S. Department of Labor, *Child Care A Workforce Issue: Report of the Secretary's Task Force*, (Washington,D.C.: April, 1987),p.10.

11. Karen Lehrman and Jana Pace, "Day-care Regulation: Serving Children or Bureaucrats?" *Cato Policy Analysis* No. 59, September 25, 1985.

12. It is important to note that for small day-care providers with gross annual revenues between $5,000 and $10,000, one or two "minor" regulatory demands can be financially ruinous.

13. Lehrman and Pace, op. cit.

14. From "Red Tape Blues," Child care Information Exchange<D>, September 1987.

15. Lehrman and Pace, op. cit.

16. Thomas E. Ricks, "Researchers Say Day-care Centers are Implicated in Spread of Disease," The Wall Street Journal, September 5, 1984.

17. Edward F. Zigler, "A Solution to the Nation's Child Care Crisis: The School of the Twenty-First Century." Speech presented at the tenth anniversary of the Bush Center in Child Development and Social Policy, September 18, 1987.

18. Lehrman and Pace, op. cit., p. 4.

19. Bureau of the Census, op. cit.

20. Richard B. Freeman, "Who Escapes? The Relation of Churchgoing and Other Background Factors to the Socio-economic Performance of Black Male Youths From Inner-city Poverty Tracts," in Richard B. Freeman and Harry J. Holzer, eds., The Black Youth Employment Crisis (Chicago: University of Chicago Press, 1986).

21.See Jay Belsky, "Infant Day Care: A Cause for Concern?" Zero to Three, September 1986.)

22. Federal government outlays and tax expenditures on day-care are estimated to be between $5 billion and $6 billion. Total spending on day-care from public and private sources is approximately $14 billion to $15 billion. Bureau of the Census, op. cit. p. 2 and unpublished HHS data.

23. Families with children in day-care benefit both from a personal exemption for each child and the dependent care tax credit. Families that do not use day-care benefit only from the personal exemption. The average value claimed for the dependent care credit is $409 per return. The tax reduction from the personal exemption is approximately $400.

24. Alan C. Carlson, "What Happened to the Family Wage?" The Public Interest, Spring 1986, pp. 11-12.

Mrs. Kennelly. Thank you, Mr. Rector.

Mr. Rosenberg.

STATEMENT OF MARK L. ROSENBERG, MEMBER, BOARD OF DIRECTORS, NATIONAL CHILD CARE ASSOCIATION

Mr. Rosenberg. Thank you, Madam Chairman.

I am here representing the National Child Care Association, which is an association of proprietary day care centers across the country.

As I was looking at the witness list today, and thinking about the witness list of some of the other hearings I have participated in, I was struck by the fact that most of the people that the subcommittee that is considering the ABC bill and related bills have heard from, most of those witnesses are people who study day care. They're in their offices, looking at statistics or at economic studies, and trying to form certain kinds of policy conclusions.

And of course, all that is important for the day care policy debate.

But the people that I represent approach day care from a very different perspective. Because they are, if you will, the frontline troops that actually provide the day care.

Most of the members of the National Child Care Association are people who own one day care center, 40 to 50 children in that center. Many of them have their life savings invested in the day care center. And they are people that everyday are out there providing this kind of care.

They are extremely important for this kind of policy debate, because they are out there in the real world trying to provide this care, and very knowledgeable about what is really happening in the real world.

And particularly, what will work and what may look good but will not work: that is the way we approach this hearing today.

On a personal note, I should tell you that I am not here just representing those people, but in fact, I am a part of that group myself. I probably look like a K Street lawyer to you, because I am in fact a K Street lawyer, but my wife and I own a company in suburban Maryland that owns two day care centers, and we provide care to about 100 to 120 families.

We are very personally involved in the business, and I think, able to give you some perspectives that hopefully will be helpful to the subcommittee, and some perspectives that perhaps will be somewhat different from what some of the people who merely study daycare will tell you.

Our overall position is very simply that we welcome a Federal leadership role in child care. There is no group that cares more about child care than the group that provides a great deal of the child care in this country.

And there is no group that cares more about quality child care than the National Child Care Association.

Our concerns about some of the bills, and particularly the ABC bill, is simply that, though we support elements of that bill, we are very, very concerned that that bill has too narrow a focus on grants and subsidies, and not a broad enough focus in terms of the delivery system that we are out there trying to create every day.

Our major concern about the ABC bill is quite simply the requirement of minimum Federal standards. I would like to give you some perspectives that we have on the requirement for minimum Federal standards.

Representatives Tauke and Johnson made some very important points, and I would like to give you some real world experience from what our perspectives have been on minimum Federal standards.

Representative Tauke, I believe, said that his concern was that in setting minimum Federal standards, we would simply make some mistakes in those standards that would contribute to a situation in which there would be actual harm to the delivery system.

And I must tell you, in my own experience in dealing with State regulatory standards, there is a great concern that minimum Federal standards would have precisely that kind of effect, and here's why.

First of all, I think it was pointed out——

Mrs. Kennelly. Mr. Rosenberg, I missed something. Could you just go back a little bit in your testimony. What did you say would happen if you had these minimum standards?

Mr. Rosenberg. Well, I think as Representative Tauke said, we simply believe that in setting minimum Federal standards, if we set those standards at an inappropriate level, that is, inappropriate for some States, you will have a situation in which we will actually harm the delivery system.

Mr. Rector mentioned the study in Child Care Review magazine, which indicated that minimum Federal standards, at the level proposed in the ABC bill, would actually put a great deal of private providers out of business because the additional cost of meeting those standards would create a situation in which those child care providers could not continue to provide the level of services that they had been providing.

So we have to be very careful when we get into that area. Now, that does not mean that we should not have some encouragement for the States to consider the areas of regulation that they are not now currently regulating.

Let me give you an example from the State of Maryland. I work very closely with the people in the State of Maryland on their regulations.

It was pointed out, I think earlier in the testimony, that someone in Maryland had looked for infant care—I believe it was infant care—she had had 118 referrals, and could not find infant care. Well, let me tell you why, because I think we need to finish the picture.

In the State of Maryland today, there are currently not yet on the books, any regulations for infant care. That is, for group care centers for children under 2, there simply are no regulations for appropriate care in center-based situations, so that all the infant care provided now is now provided in family day care homes.

Now, there is a proposed set of regulations right now being considered by the State of Maryland, which would mandate a 3-to-1 staff ratio, similar to what the ABC bill would mandate, for infant care.

The problem with the proposed set of regulations is that infants are defined in the proposed set of regulations as children under the age of 2. While a 3-to-1 ratio may be appropriate for an infant, say the age of my youngest, who is 4 months old, a 3-to-1 ratio may not be appropriate and I think is not appropriate for a child 18 months old, who is in fact a toddler.

But the way the Maryland regulations or the Maryland regulations as proposed currently, it would regulate infant care, any child under the age of 2, at a certain ratio.

We are opposed to those regulations because we think there should be a different staff ratio perhaps beginning at 15 months; there should be a different staff ratio from 15 to 24 months, and a different staff ratio under 15 months, which we think is appropriate.

Now, what would happen if Maryland were to adopt that regulation prior to the time that the ABC bill went into effect? Well, as has already been pointed out, Maryland would be unable to change that regulation without being out of compliance with the ABC bill.

But what is important in the State of Maryland would be simply that, if that regulation were put into effect, what very simply would happen is that day care centers could not economically provide day care for the 18-month-old to 24-month-old; in my judgment, 3-to-1 ratio simply is not economically feasible, except in a heavily subsidized situation.

So the private proprietors—and my wife would love to provide day care for the 18- to 24-month-old, because there is a tremendous need in that area—private providers simply would not be able to provide that care, and I think at some point down the road, we would have a change in that system in Maryland. In other words, the State would respond to what is happening within the State.

Our concern with mandated minimum Federal standards, which you cannot change your State standards once those Federal standards are adopted, is simply that it would create a very inflexible system, and a system which would result in tremendous harm to the delivery system that we have today.

The point is that we are very, very concerned. We think there are ways to encourage the States to look at particular areas that they perhaps have not looked at. But we think the minimum Federal standards area is an area that we have to be very, very careful in in terms of getting into.

We also think that there are tremendous numbers of other possible parts of a Federal leadership role in child care that are not part of the ABC bill that we think are very important to be put in the proper mix of policy.

We have talked a lot today about tax incentives, and certainly, that is appropriate as a part of the child care legislation.

It is important, as it was mentioned earlier in the day, I think by Representative Johnson, that a lot of child care providers have a lot of redtape, and what we need to do is to stimulate the development of the private delivery system by trying to cut down to the extent we can on the redtape and the other kinds of requirements for the small private providers.

And I think that is certainly something that ought to be part of the policy mix.

Our overall judgment is that the ABC bill, as it is currently constructed, is simply too narrow a focus. It may have a hampering effect, particularly upon private providers who are basically excluded in many ways from the benefits of that bill.

It is perhaps not widely known, 15 or 20 years ago about 80 percent of child care was provided by the nonprofit sector, child care delivery was a much smaller system. Today, the best studies we have seen indicate that about 50 to 60 percent of the center-based child care is provided by the proprietary sector. It really is the proprietary sector which has grown tremendously and which has provided a tremendous amount of the delivery of child care services.

What we need to be careful about is, as we devise a Federal leadership role in child care, we pay appropriate attention to stimulating the area of child care that has provided a lot more child care supply, and that can provide even more child care supply in the future.

We have to make sure that developing that Federal leadership role, that we do not go down the road of developing a very narrow kind of focus to the exclusion of a broader focus that we think can develop a much better delivery system.

Madam Chairman, we stand ready to work with this subcommittee, and with the other subcommittees and committees in Congress that are developing an appropriate Federal leadership role.

But we would urge you to take a very careful look at a bill such as the ABC bill which has too narrow a focus, and we think will have some harmful effects.

We would be glad to work with you to try to develop a broader approach that we think will create the best kind of delivery system for the United States.

[The statement of Mr. Rosenberg and attachment follow:]

TESTIMONY OF MARK L. ROSENBERG
ON BEHALF OF THE NATIONAL CHILD CARE ASSOCIATION
BEFORE THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES
Thursday, June 9, 1988

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before you today on behalf of the National Child Care Association. My name is Mark L. Rosenberg and I am an attorney with the firm of Ross and Duerk, P.C. in Washington, D.C. I am also actively involved in the child care industry. My wife and I own a local company, The Kid's Place, which operates two day care centers in suburban Maryland. As an active member of the National Child Care Association (NCCA), I have been asked by the Association to present this testimony on its behalf.

The National Child Care Association is a newly formed association of proprietary child care centers. Most of the members of NCCA are individual child care center owners, who own an average of two to three centers. NCCA was formed as a coalition of State associations representing proprietary child care centers and currently consists of representatives of 22 State associations.

It has been estimated that the proprietary sector of the child care industry supplies some 50% to 60% of all center child care delivered in the United States. As the only national association of proprietary child care providers, NCCA is uniquely situated to participate in the policy debate concerning pending federal legislation on child care. NCCA supports Federal efforts to improve the quality of child care and to improve the delivery system. As child care providers, we believe that Federal leadership in the area of child care is long overdue and we welcome that leadership effort. We believe that the Federal role in child care must be carefully crafted, however, to support increased capacity rather than to discourage it. NCCA believes that the proper goal of Federal child care policy should be to encourage and promote parental rights and choices about child care.

The April 1988 Report of the Secretary of Labor's Task Force on Child Care indicated that in FY '88 alone the Federal government will spend almost $7 billion on a variety of child care programs. We believe that evaluations of these expenditures should be made so that we can determine whether the funds have been wisely spent and have effectively responded to the needs of the recipients. These evaluations should be public so that both legislators and those involved in delivering services may assess the worth of these programs.

Funds provided through the Social Services Block Grant program are ultimately delivered through a variety of formulae determined by the individual States. These too need to be evaluated as to their effectiveness, and, if necessary, these programs should be restructured and reordered.

NCAA endorses the conclusion of the Labor Department Task Force that a national "shortage" of child care does not exist nor is it approaching crisis proportions. However, certain types of day care may be in short supply in some communities. In addition, the "quality" of child care is an extremely subjective judgment to make. This is why the proprietary child care industry feels it has an important role to play in the emerging national debate over the Federal role in providing quality and affordable child care.

We are deeply concerned however, that a number of child care bills being considered, particularly HR 3660 (the so-called ABC Bill), will have disasterous effects upon the child care delivery system and ultimately upon our children. We believe that there are a number of alternatives to the ABC Bill. We urge the Subcommittee to study these alternatives carefully and not to rush too quickly into a "solution" that, if not properly developed, could harm, rather than help our day care delivery system.

Specifically, we believe that HR 3660 will:

(1) Substantially increase the price of child care to a point where it will become unaffordable to many parents. (A national magazine that covers child care issues has recently estimated the costs of the ABC Bill to parents will be over $1.2 billion in additional tuition fees.)

(2) Create a costly and unnecessary level of federal regulation and bureaucracy that will impinge upon the rights of states to regulate this important function and will stifle innovation in the child care industry.

(3) Result in displacement of several hundred thousand children now being cared for in child care centers, many of them in welfare or borderline welfare situations, with the result that those children will have to seek care in unlicensed and unregulated family day care homes.

— As I said when I began my testimony, the National Child Care Association supports an increased federal role in child day care. But that role must be carefully shaped to avoid the serious problems that I have outlined above. While we support certain elements of the ABC Bill, such as the increased funds available for training of day care professionals, we simply cannot support the general approach of that bill, which is to mandate minimum federal standards which will ultimately be extremely costly and which will create an inflexible federal system of day care.

We believe that the role of regulating standards for day care centers should be left where it belongs -- in the hands of the States. While different States mandate different requirements, this has occurred because those states have made different judgments about child care, based on their needs. A federal system that in effect overrules those judgments is unnecessary, extremely costly, and unwise.

There are a number of alternatives to the creation of this kind of a cumbersome and ineffective federal regulatory system. For example, block grant programs administered through state agencies using vouchers to assist low-income families in obtaining day care would be an extremely effective way of delivering that care. By allowing the parents to choose among day care centers that accept those vouchers, the parents would be given the ultimate responsibility of choosing the appropriate day care for their children. As Secretary McLaughlin's recent report points out, there are a number of federal programs already providing support to day care. We believe that an examination of how these existing programs can be improved should be conducted before we embark on a new and extremely costly program.

Another efficient way of delivering additional day care resources to families in need would be to amend federal tax credit for child care. The current credit allows up to $960 of tax credit for day care expenditures. While the percentage of the credit is gradually lowered as family income goes up, even an extremely high income family can benefit from the credit. For example, in our center in Bethesda, Maryland, we have dual professional couples with extremely high incomes who benefit directly from that credit. An alternative would be to cap the income of the parents who could use that credit at all. The additional monies could then be used to give a higher percentage credit to lower income families. In addition, the credit could even be made refundable so such that a low-income family that has no tax liability could receive additional funds to help pay for the urgently needed child care. By eliminating the administrative expense in delivering that support, additional child care funds could be delivered directly to low-income families without the need for expensive and cumbersome adminstrative procedures and bureaucracy.

CONCLUSION

The National Child Care Association is composed mainly of small business people who are providing the majority of child care in this country. NCCA's members are committed to the highest level of quality day care. Our members also believe, however, that affordability of day care is a key issue and that affordability must not be sacrificed. If day care cannot be delivered at a reasonable price to middle-income families, then those families will simply be forced into unlicensed and unregulated day care facilities that will ultimately provide a much lower quality of care. While NCCA welcomes the federal leadership role in child day care, we believe that the ABC Bill and similar bills will create costly and bureaucratic systems that will ultimately fail to deliver day care to those most in need. A number of alternative methods are available, however, in order to deliver day care services effectively to a greater number of middle-income Americans. NCCA would be pleased to work with the Subcommittee in helping to design a truly effective legislative response to this need.

Thank you very much, and I would be glad to answer any questions that the Members may have.

NATIONAL CHILD CARE ASSOCIATION

POSITION STATEMENT

April 17, 1988

The National Child Care Association is comprised of grassroots, small business entrepreneurs, exercising the right of free enterprise. We are committed to the ideal of all children having access to responsibly regulated, quality child care services while providing an experience that is safe, healthy and productive. We believe in the important roles played by public, private and sectarian programs. We know the value of licensed, monitored child care as the foundation for achieving and maintaining appropriate standards. We value the "Parent's Right To Choose."

The NCCA agrees with the recent (4/15/88) findings of the U.S. Department of Labor. This report by Labor Secretary Ann McLaughlin states that there is "no evidence in support of the contention that there is a general, national shortage of available child care." She also emphasizes, "Despite all of this activity and interest, one things has not changed--the primary responsibility for child care resides with America's parents."

NCCA supports the underlying purpose of the proposed child care bills to broaden the availability of child care, improve the calibre of that care and assist low income families in meeting its cost. However, we sincerely believe that mechanisms already exist (spending 6.9 billion dollars annually to achieve these goals. These include, but are not limited to:

- Aid For Dependent Children (AFDC)
- Head Start
- USDA Child Care Food Programs
- Department of Education
- Tax Credits
- Title XX
- Job Training Program Act (JTPA)
- Small Business Administration (SBA)
- Department of Defense
- Alternative Payment Voucher (APP)

The Child Care Review Magazine reported in its April/May, 1988 issue that the A B C (Alliance For Better Child Care, Kildee/Dodd) legislation will cost parents nearly 1.2 billion dollars more in increased tuition payments. Various specific programs listed in the latest Labor Department report viable mechanisms enhancing services for low income families without creating another "infra-structure."

It is the time for ACTION AND PRACTICAL SOLUTIONS, but it isn't as easy as A B C!

NCCA would direct your legislative attention to reassess and reform these already existing mechanisms. A clean-up effort to eliminate administrative waste and to require a more exacting match from the states and local governments will result in the ability to serve more children. Three examples of states (California, Arizona and Texas) are current models using the APP (Alternative Payment Program) Voucher to deliver badly needed child care services in a cost-effective and efficient system.

The Small Business Administration loan program should be expanded to include special low interest loans that will encourage the growth and development of more child care programs. In addition, child care centers should be included in the SBA "Incubation Program" for those areas where there is a dire need for child care. The same consideration should be given as is offered to other small businesses in designated economic impact zones.

The state of Alaska, another public/private model, utilizes government funding for staff compensation, increased staff, health and nutritional needs of children, equipment, staff training and parental involvement.

The 20% ceiling on Tax Credits should be reduced for higher income brackets. Credits could then be redirected to benefit lower income families or even possibly refunded. This measure would be "Revenue Neutral."

The negative impacts of the proposed legislation are:

* Anti-proprietary
* Anti-sectarian
* Anti-family
* Anti-states rights

It creates another bureaucracy that is unnecessary consuming enormous amounts of money intended to be spent serving children. It is a budget-buster and a deficit-maker!

Historically, NCCA members are the people who administer the services, compete in the market place, generate revenue, while providing a valuable human service. We are the helping profession who knows the real story... we bring you the truth!

Every state has licensing laws, rules and regulations for child care existing in place. NCCA contends that states are best able to regulate their own industries because they are more directly familiar with local customs, opinions, trends, demands and economic conditions.

Finally, the National Child Care Association finds that bureaucracy-building federal legislation IS NOT THE ANSWER FOR THE NATION'S CHILDREN AND FAMILIES.

ATTACHMENT B

CHILD CARE REVIEW

PRESS RELEASE

FOR IMMEDIATE RELEASE

CONTACT: David Pierson
(504) 831-9662

FEDERAL CHILD CARE BILL WILL RAISE TUITION COSTS AND DISPLACE CHILDREN IN LICENSED CARE

METAIRIE, LA.-- A $2.5 billion federal child care bill that is supposed to improve the affordability and availability of licensed child care will actually cost parents nearly $1.2 billion in increased tuition payments and displace over 786,000 children now in licensed facilities, according to a study conducted by a national child care magazine.

Child Care Review in Metairie, Louisiana, reports in its April/May, 1988 issue that the Act for Better Child Care (or the ABC Bill) would also have the effect of closing 12,600 child day care centers or 20.3 percent of all the licensed facilities now in operation because of the cost increases the bill would mean to non-subsidized parents.

Significantly, the proposed legislation has received strong congressional support. The House version (H.R. 3660) has 128 co-sponsors, and the Senate version (S. 1885) has 22 co-sponsors.

The magazine reports that the federal standards mandated in the ABC Bill will raise the cost of licensed care and displace children because child care is such a labor-intensive industry. With staff costs already accounting for 51 percent (or $27.18) of the parents' weekly tuition rate, federal standards which would increase staffing would raise parents' tuitions by $6.76 per week per child, the magazine reports.

The Child Care Review study says the cost impact would be greatest on parents in the south. The parents in ten southern states, the report claims, will pay over 79 percent of the total tuition increase and will account for 84 percent of the children displaced.

Significantly, the two states which lead the nation in available licensed child care, Texas and Florida, will be hardest hit by federal staffing standards, according to the report. Texas parents can expect an average increase in tuition costs of $18.41 per week, and Florida parents can expect an increase of $16.21 per week.

The reason for the disproportionate impact on the south, the magazine reports, is that 44 percent of all licensed child care slots are in 11 southern states and those states would be most affected by the new staffing requirements mandated in the ABC Bill.

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P. O. Box 578 • Metairie, Louisiana • 70004-0578 (504) 831-9662

Mrs. **Kennelly**. Thank you, Mr. Rosenberg.

Ms. Barnes.

STATEMENT OF ROBERTA OTT BARNES, PH.D., SENIOR RESEARCH ASSOCIATE, THE URBAN INSTITUTE

Ms. **Barnes**. My name is Roberta Barnes, and I am a senior research associate at the Urban Institute here in Washington, D.C.

As the wrap up witness, I would like to share with you today some results from analysis of simulations of alternative child care legislative proposals.

Our simulations are going to focus only on those proposals that operate through the Federal income tax system. Specifically, I want to address how the low income families are affected by the various proposals, as compared to one another, and as compared to the current law.

In particular we will focus on distributional effects, and whether the various new proposals are more or less regressive than the current tax credit.

To underscore the relevance of looking at this type of analysis, you only need to be reminded that it is the dependent care tax credit, the vehicle through which the income tax system subsidizes family expenditures for child care, that is the largest Federal program for the support of child care in the United States.

In 1987 $3.5 billion were assigned to the credit, and this figure is expected to rise to $4 billion in the 1988 tax returns, dwarfing the next program sponsored by the Department of Agriculture that is aimed at child care services.

So, if the Federal role in financing support of child care has largely been funnelled through the tax system, it is interesting to ask, who is benefitting? What kinds of American families are able to make the tax credit work to their advantage?

Because our simulations, mathematical models though they are, are based on real data from households they are particularly well suited to answering these distributional questions.

A word about our simulation model to provide a little background. Our analysis is based on a microsimulation model known as TRIM2, the Transfer Income Maintenance Model 2nd Generation.

TRIM was developed in the early 1970s at the Urban Institute, and has been maintained there largely through the support of the Office of the Assistant Secretary for Planning and Evaluation at the Department for Health and Human Services.

I should add that my results, and some of the conclusions that I draw, do not necessarily represent HHS's opinions or the Urban Institute's opinions. They are mine alone.

Data from real households starts our simulation. Data collected as part of the current population survey by the Bureau of the Census is the primary input into our model.

We use the term, micro, by the way, to distinguish the fact that our model operates on small units, households, as opposed to aggregates, such as the population and economic aggregates that are the common inputs into the macro models that more of you are probably familiar with.

The CPS survey doesn't collect information specifically on how much people spend on child care. So we developed additional functions to assign or impute these expenditures based on what people reported they spent on the consumer expenditure survey, and we lined this up to IRS-provided data from tax returns to ensure that we were assigning adequate distributions.

Apart from our imputed child care expenditures, the TRIM model uses information that is reported by the families on their wages, salaries and other sources of income, and their family demographics, and calculates the individual's income taxes just as the people would when they sit down to calculate their taxes.

The simulations that I am going to talk about today, and that are in the exhibits for your later review, make use of the 1986 March CPS. So they are based on the distribution of income and demographics in the United States as they were in 1985.

We take the law as it is in 1988, and we pretend that it is all occurring in 1985. This has a marginal difference on our results. I do want to caution people not to use the numbers that we get to claim that these are estimates of what these bills would cost in 1988 or 1989. They are figures that are based on 1985 income and population distributions.

The first issue is to look at the distributional effects of our current law. I call this our baseline, by the way, the standard against which we can compare the other pieces of legislation.

As you all know, the 1988 law allows for a nonrefundable credit with characteristics that allow for poorer families to deduct a slightly higher amount than the more well off families; I won't go into the details.

In exhibit 1 the simulations of the 1988 law on this 1985 population show that about 8 million tax units would have benefited from the credit, with an average amount of $336, well below the ceilings that are currently allowed; we will come back to this point. The total credit would have amounted to about $2.6 billion in Federal revenues.

Here is the important point: How is that distributed across American families? Only about 3 percent of the total credit awarded goes to families at the bottom 30 percent of the income distribution. Just under one quarter of the total credit goes to families in the bottom half of the income distribution, leaving a full 75 percent of the moneys shelled out in that credit to go to people in the top half of the income distribution.

To drive the point home a little further, as contrasted to the bottom 30 percent who receive 3 percent of the credit, the people in the top 30 percent of the distribution receive 50 percent of the credit, the top 10 percent alone receiving about 14 percent of the moneys.

The point then is clear. A point that has been made by many people earlier, but maybe some hard and fast numbers have been presented in this analysis. The current system is not helping the poor people at all.

Two parent families receive about two-thirds of all the moneys assigned. Now this is partly because there are a lot more of them; it is also partly because they tend to be better off. But of those, the poorest among them receive a negligible amount of the credit.

Three-tenths of a percent of all the money going to two-parent families goes to the bottom 30 percent of these families; 20 percent of the money goes to the top 10 percent of those families.

And even worse off are the single parent families. Generally, these people are poorer: there are more of them in the bottom half of the income distribution. So, partially as a result of that fact, the credits that are awarded to the single parent households are not quite as heavily distributed in the upper end of the income distribution. However, the same conclusion is inescapable. The low income families hardly benefit at all.

To what extent do the alternative proposals that operate through the tax system address the regressive nature of the tax credit? As a first point of comparison, we simulated one simple change, a point that has been brought up here earlier, making the credit as currently implemented simply refundable.

Under current law we find that a lot of the poorer families cannot benefit from the childcare tax credit even if they qualify, even if they both work and have expenditures, because their tax liability is very low or is at zero. By making the credit refundable, as is done with the EITC, these families could recoup some of their expenses, even if their tax liability does go to zero.

And indeed, in the second panel of the exhibit, we show that the refundable credit is a direct benefit to the poorer taxpayers. The number of units alone who get the credit jumps by about 20 percent, and the average amount of the credit awarded to American families goes up by 31 percent. Most of this increase goes directly to the families in the lower end of the income distribution, so the refundable feature alone does help to make the childcare credit more equitably distributed. About 17 percent of the money assigned would go to the bottom 30 percent of the distribution, as opposed to 3 percent under the current law.

And among the single parent households, over two-thirds of the awards would go to families in the lower half of the income distribution. Keep in mind again, though, that this is due to the fact that so many of them are in the lower half of the income distribution. Other aspects of a refundable credit are summarized in the exhibit and in our graphs which show the income distributional effects for later review.

Now, in contrast to the changes resulting from changing to a refundable credit, other proposals to raise the ceilings allowable on expenditures have little impact on the distributional effects. The point is, the low income families don't find the current ceilings a constraint. These families aren't spending much on child care because they cannot afford it. So allowing them to deduct more money does not have any effect, because they cannot deduct what they do not spend already.

Similarly, we found that proposals that concentrated on increasing the rate at which expenses can be deducted will do little to help redistribute the monies, unless, as they often are, they are accompanied by a provision for phaseout of the credit among higher income families.

By definition, phasing out the credit among the higher income families will serve to alleviate the regressive nature of the tax as it currently stands, because there would be fewer families, or no families, in some instances, in the upper end of the brackets getting the credit at all. It also follows that this type of provision can help limit the loss in Federal revenues. Loss in revenues, by the way, that might then be used in other components of child care legislation.

Several examples of these kinds of proposals that have increased the deduction rate, combined with a phaseout at higher income levels, have been simulated, and have had positive effects on redistribution of the income. The interested reader could refer to proposals by Robins, Dole, and Garfinkel, that are summarized in our exhibit.

Finally, another family of proposals revolve around the notion of supplementing or replacing the current tax credit with a child allowance, usually in the form of a credit that is not necessarily tied to child care expenditures, or to employment patterns.

Two alternatives are summarized in our exhibit. We simulated one that isn't articulated by any particular group, but which we view as sort of upper bound version of these proposals; namely, the simple per child allowance. This is a refundable tax credit which would replace the current tax credit and the personal exemption for children with a $700 credit for every child under age 15 without regard to employment status of the parent. Under this scenario, the number of units receiving an allowance of any type almost quadruples, so it grows by huge amounts; and the average amount allowed as a credit more than triples. But, the impact on Federal revenues is sobering.

The total amount of the per child allowance credit, aggregated across the country, is $33 billion, as compared to $2.6 billion under current law. Even in conjuction with the elimination of the personal exemption for children, Federal revenues would have declined by almost $11 billion if such a proposal had been put into effect in 1985. That is a figure that is not likely to gain a lot of political consensus.

The impact on the income distribution, though, is of interest, and it is also shown. The per child allowance is far less regressive in nature than the current tax credit. About 25 percent of the total moneys that are allocated would go to families in the bottom 30 percent, 42 percent to people in the bottom 50 percent.

And at the top end of the distribution, families in the top 10 percent would receive only 10 percent. Hence, this type of a proposal often has a neutral effect on the income distribution.

But most proposals of this nature are more complex than this one that I have discussed. The Wallop-Holloway is one, and that is shown in our exhibits. This bill is somewhat complicated. It replaces the current tax credit with a credit for preschool aged children of $400 per child for families with incomes of $18,000 or below, the figure declining to $150 per child for families with incomes above $30,000. Even the wealthiest families could claim this credit. As compared with the effects of the current law, the proposal does increase the number of units receiving the credit by almost 50 percent, but the average amount of the credit will fall by about 25 percent.

Total revenues, as a net result, are little affected. There is not a big loss in Federal revenues under the Wallop-Holloway bill. But the redistribution effects are really no greater than they are under simple, refundable aspects of the bill.

Just one final point on Wallop-Holloway that is worth noting to this committee: There is a feature in that particular bill that probably has an unintended effect of making it less generous to the people at the lower end of the income distribution that it might have been, namely, that in no instance can the total amount of the credit be greater than Federal income tax withholdings.

This in effect means that only families who have significant levels of earnings, significant levels of withholdings, will benefit to a great degree under Wallop-Holloway. That particular aspect might require a little consideration.

To summarize my points today, we have analyzed simulations of alternative child care tax credits, and we have shown that the current bill is highly regressive. But certain aspects of alternative proposals may be somewhat effective in helping to reverse this regressive nature of the credit.

If American society has decided they want to target child care assistance to low income families, I would first note that the methods that operate through the income tax system may not be the most effective in achieving that goal.

Many poor people pay little or no taxes, and they may not be well positioned to make the tax system work for their benefit. But to the extent that tax related proposals are considered to help poorer families, the following features should be included to dampen regressive tendencies.

Tax credits should be refundable. It should be phased out for upper income families, perhaps combined with a more generous rate at which low income families can deduct their expenses.

Or, it should eliminate features that expenses be specifically tied to the credit at all, or employment status be tied to the credit as a qualifying criterion.

[The prepared statement follows:]

THE DISTRIBUTIONAL EFFECTS OF ALTERNATIVE CHILD CARE PROPOSALS

Statement of

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In this analysis we look at the distributional characteristics of the current child care tax credit and, using microsimulation techniques, compare the impact on the income distribution of various alternatives to the current law. The tax credit, as implemented in 1988, is highly regressive. About 3 percent of the total credit awarded goes to families in the bottom 30 percent of the income distribution while families in the top 30 percent receive almost half of the total credit awarded. Features which make the tax credit less regressive include: making the credit refundable; phasing out the credit for upper-income families; and eliminating employment status and actual expenditures on child care as qualifying criteria. It is also suggested that the income tax system may not be the most effective mechanism for helping low-income families with their child care needs.

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My name is Roberta Barnes. I am a Senior Research Associate in the Income Security and Pension Policy center at the Urban Institute in Washington, D.C. I would like to share with you today some results from analysis of simulations of alternative child care legislative proposals. Our simulations focus only on proposals that operate through the federal individual income tax system. Specifically, I would like to address the issue of how low-income families are affected by various proposals as compared to the current tax law. Proposals that specify changes in the block grants to the State governments, vouchers, subsidies, or grants to families using child care or to providers of care are not be included in this analysis.

To underscore the relevance of this analysis one need only be reminded that the Dependent Care Tax Credit--the vehicle through which the income tax system subsidizes family expenditures on child care--is the largest federal program for the support of child care in the U.S. today. In 1987 approximately $3.5 billion were assigned to the child care tax credit; this figure is expected to rise to $4.0 billion with the 1988 tax returns. The recent report of the Secretary's Task Force to the Department of Labor identifies the next largest federal program--not counting Head Start which is primarily an educational program and is not well-suited to meeting child care needs--as those under the Department of Agriculture's umbrella--most notably the Child Care Food Program, and Summer Food Service Programs for Children. At roughly $800 million in 1987 these programs are less than one-quarter the amount which flows through the income tax system.

If the federal role in financially supporting child care has largely been funneled through the tax system it is interesting to ask: Who benefits? What kinds of American families are able to make the tax credit work to their advantage? Because our simulations are based on household-level data, they are particularly well-suited to answering the distributional questions raised about the current system or alternative proposals that operate through the tax system.

A word about our simulation model. Our analysis makes use of a microsimulation model known as TRIM2--Transfer Income Maintenance Model (Second Generation). TRIM2 was developed in the early 1970's at the Urban Institute and continues to be maintained there largely through funding by the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services. It is through the funding and cooperation of Bill Prosser and other staff at ASPE/HHS that the child care simulations have been conducted, although the results and opinions expressed here do not necessarily reflect those of HHS or The Urban Institute. TRIM2 has long been used to contribute to the policy debate over the effects on people and on federal revenues of changes in income-related programs. Most recently, HHS made use of TRIM2 simulations of the complete tax and transfer system in the U.S. to evaluate aspects of the tax reform packages debated in 1985-86.

Data on real households from the Current Population Survey, conducted by the Bureau of the Census, is the primary input into the TRIM2 simulations. Hence the term microsimulation is applied to distinguish the fact that TRIM2 operates on small units, such as the household, as opposed to population and economic aggregates. The CPS does not collect data on how much people spend on childcare so we developed functions to impute child care expenditures to households based on data from the 1980-81 Consumer Expenditure Survey. Apart from the imputed child care expenditure data, TRIM2 simulates tax return information using the detailed information on wages, salaries, and other sources of income and family composition just as if the individual were sitting down and filling out his or her tax return. In the simulations presented today, the March, 1986 CPS was used as the input data file. This contains data on income and demographics for the 1985 calendar year so all our simulations are based on population and income distributions as they were in 1985. The so-called "baseline" simulation--the standard against which all the alternative proposals can be compared--assumes 1988 tax law as if it were in place in 1985. Hence, our results should not be used as such to estimate the effects of alternative proposals on the levels of household tax bills and federal revenues, but can directly address the relative incidence of alternative proposals in two ways. First, as the alternative proposals affect households relative to one another and second, as they affect the total tax picture relative to the baseline simulation.

The first issue is to look at the distributional aspects of the current law. The 1988 law allows for a non-refundable credit against income taxes of 20 percent of actual expenditures on child care up to $2400 for one child; up to $4800 for two or more children. For families with AGI below $28,000 the percentage deduction can be as much as 30 percent of expenditures. Hence, the maximum allowable credit is $480 for families with one child; $960 for families with two children. For poorer families those figures may go as high, in principle, as $720 and $1440.

Referring to Exhibit 1, our simulations of the 1988 law on the 1985 population showed that just under 8 million tax units would have benefited from the credit; the average amount of the credit was $336, well below the ceiling amount. The total credit would have amounted to $2.6 billion. How is that distributed across American families? Only about 3 percent of the total credit awarded goes to families in the bottom 30 percent of the income distribution. Just over one-quarter of the total credit goes to families in the bottom half of the income distribution, leaving roughly 75 percent of the monies assigned to the child care credit to families in the top half of the income distribution. As contrasted to families in bottom 30 percent, who receive 3 percent of the credit, families in the top 30 percent of the distribution receive almost half of the total credit; the top decile alone receives 14 percent of the credit.

Two-parent families receive about two-thirds of all the monies assigned to the credit, but the poorest of these families receive a negligible amount of the total credit. Only .3 percent of all the money going to 2-parent families is earmarked for the bottom 30 percent of these households; 20 percent of the money goes to the top 10 percent of the families.

Single parent families receive about one-third of the total child care credit awarded. Because these families are poorer in general, there are more 1-parent families in the bottom half of the income distribution. Partially as a result of this, the credits awarded to single-parent households are not as heavily distributed to families in the upper-end of the income distribution. Ten percent of the credit paid to 1-parent families goes to families of that type in the bottom 30 percent of the income distribution; 50 percent goes to families reporting incomes at or below the 50th percentile.

The conclusion is inescapable. Low-income families hardly benefit at all from the child care tax credit. To what extent do alternative proposals that operate through the tax system redress the regressive nature of the tax credit? As a first point of comparison we simulated a simple change--making the credit as currently implemented refundable. Under current law a significant number of poorer families cannot benefit from the child care tax credit, even if they qualify, because their tax liability is very low. By making the credit refundable, as is the case with the EITC, these families can recoup some of their expenses even if their tax liability is zero before the credit is calculated.

Indeed, the change to a refundable credit is a direct benefit to the poorer taxpayers. The number of units receiving the credit jumps by over 20 percent; the total amount of the credit awarded rises by about 31 percent. Since most of this increase goes directly to families in the lower end of the income distribution, the refundable feature alone helps to make the child care credit more equitably distributed. About 17 percent of all the monies assigned go to families in the bottom 30 percent of the distribution; about 40 percent to families in the bottom half of the income distribution. Among single parent households over two-thirds of the awards go to families in the lower half of the income distribution. Again, keep in mind that this is due, at least in part, to the fact that there are relatively few single parent families in the upper end of the income distribution.

In contrast to the significant changes which result when the credit is make refundable, raising the ceilings on the allowable expenditures has little impact on the distributional effects of the credit. For low-income households the current ceilings are not an effective constraint: these families do not spend much on child care because they cannot afford to spend much. Allowing them to deduct more money has little effect because their budgets are strained already and the small amounts represented by the tax credit are not enough to change this fact.

Similarly, proposals which have increased the rate at which expenses can be deducted will do little to help redistribute dollars unless they are accompanied by provision for phase-out of the credit among higher income families. By definition, phase-out of the credit among higher income families alleviates the regressive nature of the tax because the monies that are awarded under the credit all go to families below the phase-out limit. It also follows that proposals which limit the eligibility for the credit can also limit the loss in federal revenues. Several examples of proposals which increase the deduction rate combined with phase-out at higher income levels have been simulated. The interested reader can refer to the Robins, Dole, and Garfinkel proposals in Exhibit 1.

Finally, yet another family of proposals revolve around the notion of supplementing or replacing the current tax credit with a child "allowance", usually in the form of a tax credit, that is not necessarily tied to expenditures for child care. Two alternative within this family are summarized in Exhibit 1. An upper bound version of the proposals would be what we call the "simple per child" allowance. This is a refundable tax credit which replaces the current tax credit and the personal exemption for children with a $700 credit for every child under age 15 without regard to employment status of the parents. Under this scenario the number of units receiving an allowance almost quadruples and the average amount allowed as a credit more than triples. The impact on federal revenues is sobering. The total amount of the credit simulated is $33.2 billion as compared to $2.6 billion simulated in baseline. Even with the elimination of the personal exemption, federal revenues would have declined in 1985 by almost $11 billion--a figure that is not likely to gain political consensus.

The impact on the income distribution is shown in Exhibit 2. The per-child allowance is far less regressive in nature than the current tax credit. About 25 percent of the total money allocated goes to families in the bottom 30 percent of the income distribution; about 42 percent goes to families in the bottom 50 percent. Families in the top 10 percent receive roughly 10 percent of the dollars awarded under the credit. Hence, the simple per-child allowance has a neutral effect on the income distribution.

Most proposals of the per-child variety are more complex that our simple version and most are tied to young children. The Wallop-Holloway proposal, shown in Exhibits 1 and 2, replaces the current tax credit with a credit for preschool-age children of $400 per child for families with incomes of $18,000 or below, declining to $150 per child for families with incomes above $30,000. As compared with the effects of the current law in our baseline simulations, this proposal increases the number of units receiving the credit by almost 50 percent, but the average amount of the credit falls by almost 25 percent. As a result, total federal revenues are little affected but the redistributional effects of this proposal are not nearly as great as under the simple per-child allowance. In fact, redistribution is no greater under the Wallop-Holloway proposal than by simply making the current tax credit refundable.

To summarize, analyses of simulations of alternative child care tax credits have shown that the current tax credit is highly regressive in nature, but, certain aspects of alternative proposals are somewhat effective in helping to reverse the regressive nature of the credit. If American society wants to target child care assistance to low-income families it should first be noted that methods which operate through the income tax system may not be the most effective mechanism. Many poor people pay little or no taxes and may not be well positioned to make the tax system work to their benefit. To the extent that tax-related proposals are considered, however, the following features may dampen regressive tendencies:

1) Specifying the child care credit as refundable.

2) Allowing for a more generous rate at which expenses can be deducted for low-income families.

3) Phasing out the credit for upper-income families helps by definition.

4) Eliminating employment status or proof of child care expenditures as criterion to which the credit is tied.

Exhibit 1

Main Features of Alternative Childcare Credit Proposals Simulated in TRIM2

1988 Population and Income Distribution Assumed in All Simulations

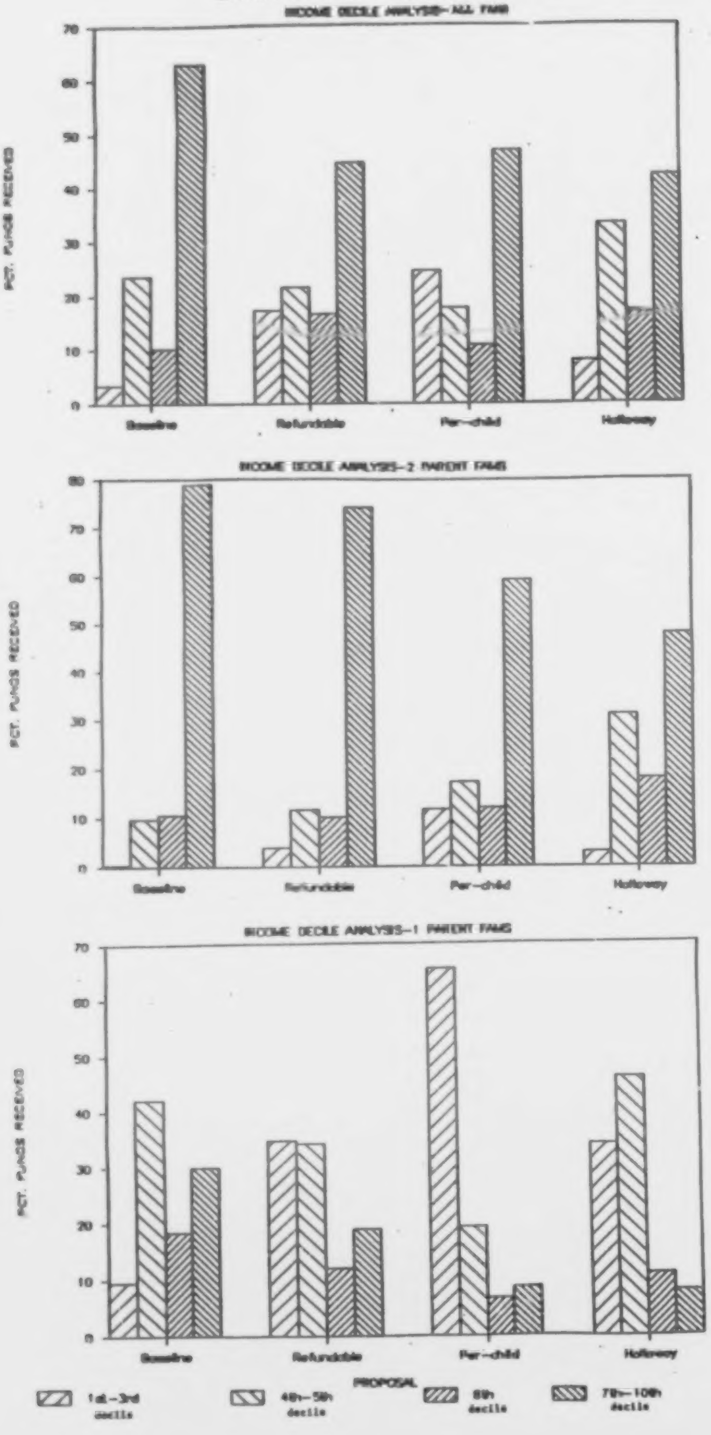
Simulation	Main Features of Simulation	Summarized Simulation Results (All simulations in 1988 dollars)	Families Affected	How Simulation Differs From Formal Proposal
(1) Baseline	1988 Tax Law—1988 income and population distributions. Non-refundable Dependent Care Tax Credit. Under $10,000 AGI, families may claim 30% of expenditures on dependent care up to a ceiling of $2,400 for 1 dependent ($4,800 for 2 or more dependents). The credit is then reduced by one percentage point for each $2,000 of income between $10,000 and $28,000. Over $28,000 the rate allowed is 20%. This results in a maximum credit of: AGI ≤ 10,000 $720/1,440 AGI ≥ 28,000 $480/960	Units Affected: 7.8 million Average benefit per unit: $336 Total Credit/Allowance: $2.6 Billion Total Effect on Tax Revenue: N/A	Greatest benefit to 2-parent families in upper-income brackets.	Used as a standard against which other simulations are compared.
(2) Refundable	Same as Baseline except credit is fully refundable. At the point of zero tax liability tax units can receive a "refund" for any unrecovered amount of credit for which they are eligible.	Units Affected: 9.6 million Average benefit per unit: $351 Total Credit/Allowance: $3.4 Billion Total Effect on Tax Revenue: $-.7 Billion	Increases the number of eligible families. Redistributes some money to lower-income families. Bulk of the credit still goes to those with higher incomes.	
(3) Phil Robins Proposal	Refundable. Allows tax units to claim a credit of 80% of actual expenses for AGI up to $10,000; phased down to 60% of actual expenses for AGI up to $20,000; phased down to 40% of actual expenses for AGI up to $30,000; phased down to 20% of actual expenses for AGI up to $40,000; phased down to 10% of actual expenses for AGI up to $50,000; phased down to 0% of actual expenses for AGI up to $60,000+.	Units Affected: 8.0 million Average benefit per unit: $712 Total Credit/Allowance: $5.7 Billion Total Effect on Tax Revenue: $-3.1 Billion	Greatly increases the amount of funds received by low-income families while limiting credit to upper-income units. The high cost of this bill is due largely to an increase in the average credit.	Ceilings in bill were slightly higher than 88 Law. However, simulations used 88 ceilings. This difference would have negligible effect on estimates.
(4) Changing Ceilings on Current Law	Non-refundable. Raises allowable ceilings on expenditures for dependent care to $3,000 for 1 dependent; $6,000 for 2 or more. Maximum credit allowed: AGI ≤ 10,000 $900/1,800 AGI ≥ 28,000 $600/1,200	Units Affected: 7.9 million Average benefit per unit: $339 Total Credit/Allowance: $2.7 Billion Total Effect on Tax Revenue: $-.02 Billion	Under this proposal there are no significant changes from current laws.	
(5) Dole Bill	Non-refundable credit in the amount of 30% of actual expenses for AGI up to $10,000; phased down to 20% of actual expenses for AGI up to $30,000; steady at 20% of actual expenses for AGI up to $50,000; phased down to 0% of actual expenses for AGI up to $80,000.	Units Affected: 7.6 million Average benefit per unit: $319 Total Credit/Allowance: $2.4 Billion Total Effect on Tax Revenue: $+.24 Billion	Families with 1-parent realize small credit increases while 2-parent families have their credit reduced.	Ceilings in bill were slightly higher than 88 law. However, simulations used 88 ceilings. This difference would have a negligible effect on estimates.
(6) Irv Garfinkle	Refundable. Tax units with AGI < $8,000 eligible for a credit based on hours worked of secondary earner (or single parent). Tax unit may claim maximum of (1) $1 per hour worked for 1 child; $2 per hour worked for 2 or more children; or (2) actual child care expenses, up to ceilings of $2,400/4,800. For tax units with AGI > $8,000, current law is in effect with refundable feature.	Units Affected: 9.6 million Average benefit per unit: $488 Total Credit/Allowance: $4.7 Billion Total Effect on Tax Revenue: $-2.0 Billion	This proposal will redistribute more money to low-income households, and will not affect upper-income families.	Proposal states a phase-in between hours-worked credit method and current law for AGI between $8,000 and $20,000.
(7) Simple Per Child	Refundable. Eliminates the personal exemption and the dependent care credit for all children under 15. Replaces these with a $700 credit per child under age 15 for all tax units regardless of employment status.	Units Affected: 29.8 million Average benefit per unit: $1,114 Total Credit/Allowance: $33.2 Billion Total Effect on Tax Revenue: $-10.7 Billion	Lower-income families receive a much larger credit. Many more families in all income groups are eligible for the credit.	Most proposals have an age limit on eligible children. Many proposals are ambiguous on the status of the personal exemption.
(8) Wallop, Holloway Proposal	Refundable. Eliminates current dependent care credit and replaces with per-child credit. For children under 6, if AGI < 18,000, credit=$400 per child AGI < 21,000, credit=$350 per child AGI < 24,000, credit=$300 per child AGI < 27,000, credit=$250 per child AGI < 30,000, credit=$200 per child AGI over 30,000, credit=$150 per child In no instance is the total amount of credit allowed greater than federal income tax witholdings calculated from the "formula method" provided by the IRS.	Units Affected: 11.6 million Average benefit per unit: $256 Total Credit/Allowance: $3 Billion Total Effect on Tax Revenue: $-.3 Billion	Redistributes money toward single-parent low-income families. Many more low-income families are eligible for the credit.	(1) Formal proposal specifies eligible children as those below compulsory school age. (This age may vary by state and locality.) (2) Withholdings thought to include FICA contributions.

Source: The Urban Institute
Income Security and Pension Policy Center
2100 M Street, N.W.
Washington, D.C. 20037

Note: TRIM2 simulations are funded in large part by U.S. Department of Health and Human Services.
The data set used as input to the simulations was the March, 1986 Current Population Survey.

Exhibit 2

CHILD CARE PROPOSALS



Source: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.
Note: This work is funded in large part by the U.S. Department of Health and Human Services.

Mrs. KENNELLY. Thank you, Ms. Barnes. Thank you all for your very excellent testimony.

Dr. Conover, having worked with you in welfare reform, I did notice in your testimony that you did speak affirmatively about title XX, I just want to make clear, is that support of title XX in place of the changes that we had suggested in the welfare bill passed by the House?

Mr. CONOVER. No, we think it would be just additional. We think that title XX is one important mechanism that is already in place, and it is not a complete answer. It does not deal with many of the important concerns about improving quality of child care across this country.

But it is one mechanism, and it is in place.

Mrs. KENNELLY. A bird in the hand.

Mr. CONOVER. We can improve it in various ways by giving it more money and so forth.

Mrs. KENNELLY. I am working at increasing those funds. But it is not in lieu of?

Mr. CONOVER. No.

Mrs. KENNELLY. We've got the title XX program working. So we should keep it unless we are sure of something coming this way.

Mr. Rector, I was interested in that study you mentioned. You were referring to women who would not take free day care to go to work.

Am I correct that this was a study done in 1960? Or is there a more recent——

Mr. RECTOR. It was the mid and late seventies.

Mrs. KENNELLY. Could you tell us the name of that?

Mr. RECTOR. Well, it is the Seattle-Denver income maintenance experiment. It was done by HHS. And the other was the Gary, Ind. study.

All of this study is now archived, but there is a good summary of that material in an article by Susan Woolsey called The Pied Piper Politics of Daycare in Daedelus, I think it was about 1978.

But again, basically, in both Gary, Ind. and in Seattle and in Denver, there was provision for either subsidized care or low income care.

They did get an increase in utilization but not necessarily utilization of professional daycare centers. When they made a provision that you could pay for care, what those that were working used that money to pay their relatives.

And it would seem to be a clear indication of preference for relative care in those studies. Again, I think that that is reflected by other studies concerning, for example, blue collar women, I would note, have, in comparison to professional women, professional women have eight percent of total care is by grandparents. When you look at blue collar women, it is 27 percent.

There is a distinct availability, even in the late 1980s, for care by extended family systems for lower income families.

And the data which I have seen also would suggest that that is an option that should be encouraged rather than discouraged as in the current welfare reform bill which takes the current $160 disregard and which, as I understand it now, is available to a welfare mother to pay either a neighbor or a grandparent or an aunt.

And I would note that 25 percent of the women on AFDC have another adult woman in the household with them, not to mention down the block; but right in the household with them. And under the welfare reform bill passed in the House, that $160 disregard can only be used in a regulated daycare facility.

I think it is very dangerous to establish a policy which takes away an option for poor people that is available for the middle class and the upper middle class, particularly since the informal resource network that is available to low income women to care for these children is more extensive and more available.

I would also make reference to the recent MDRC study in Little Rock, Ark., in which there was a job search workfare program for children, and it included mothers with children age 3 to 6, I believe, or something like that.

I interviewed a Mr. Boyd out there who was in charge of that program, and he said that even though there was a lack of formal daycare facilities in the area, lack of centers in the area where the program was operating, that the absence of day care did not in any sense restrict the ability of the welfare mothers to participate in the program; that they made a deliberate point of encouraging those women to go out and find their own day care resources, and to use the informal sector; and that all worked very well.

Now it was a short term program. They didn't run it for a year or something like that, so the circumstances could be different. But again, I would think that the basic line of evidence is there.

If we are going to have mothers on welfare work, we want to be able to have them have daycare available, but that does not necessarily mean center-based care. It certainly does not mean that you would want to restrict their options to prohibit them from using grandmothers, relatives, neighbors and so forth.

Mrs. KENNELLY. I am aware, though, that the use of the funds can also be used for certificates, vouchers, and reimbursements.

Mr. RECTOR. As I understand the bill——

Mrs. KENNELLY. Well, we have the woman who helped write the bill right here, so maybe we can get together afterwards to clear that up. But I think she has a good awareness of the bill.

Mr. RECTOR. The certificates can only be used in a regulated facility, or a registered, certified facility.

Mrs. KENNELLY. I also would like to comment that there are younger women in families with the older woman there, and sometimes it often is a situation where a welfare mother has a child that then went on welfare, and that grandchild is there to be taken care of, so we could look at that in a much broader way too.

Now, Mrs. Schlafly, you must feel it was yesterday when you testified. I apologize for the length of the panel, but at least as you know, we want to get this all on record, and it is important.

In your testimony, you say that all available evidence shows that unregulated day care by neighborhood day care mothers is every bit as good a quality as licensed regulated care? Is there any evidence you can provide us?

Mrs. SCHLAFLY. Yes, the only research I have been able to find on this is this one, which shows that the unregulated day care is just as good as the regulated, and I would be happy to provide you with a copy of it.

Mrs. **Kennelly**. Good, we will look at that.

Obviously, I think you maybe noticed from Ms. Johnson's testimony and some of the comments I made, we are really wrestling with this whole thing. We have the ABC bill. We have the Hatch-Johnson bill. I have a feeling of deja vu, because we did this all with welfare reform. And Dr. Conover can tell you. We began with these bills, but what came out was very different.

And it all comes from the hearings and markups and all the rest. But clearly I think you have come across as opposing licensing or regulation or registration.

How do we protect children in a situation where, it is not the family situation. Parents are working; I think we all agree on that. The child leaves the home.

I think we don't all agree on the availability of the informal arrangement. But certainly a woman has to work. She doesn't have a relative, she doesn't have a friend for the child to be taken care of. And the child is taken out of the home into another environment.

Doesn't the Government, or does the Government, have any responsibility for the protection of that child when taxpayer's dollars are being used?

Mrs. **Schlafly**. Well, Madam Chairman, I am not opposing licensing or regulation. The States have a very extensive network of licensing and regulation.

But I see no evidence that anything would be improved if the Federal Government gets into the act.

I also would preserve the right of the mother or the parent to select unlicensed or unregulated care, which obviously, a million and a half or more of them are doing.

And I think it is a can of worms if you get into a situation where you say that a grandmother, Aunt Millie, or the neighbor lady who takes in two children, must be licensed or regulated in order to be approved and have any benefits.

For the Federal Government to subsidize only the regulated or the licensed is, I think, exceedingly unfair. It is unfair to the choice of the majority of women in this country.

Half of them are taking care of their own children, and another third of them are using relatives or neighborhood day care. So, you get down to only about 10 percent who are using licensed facilities.

That is their choice; I don't have any quarrel with their using those facilities. But it seems to make no sense for the Federal Government to come along and say, we are going to prefer what only 10 percent of the mothers have chosen.

And it just isn't fair.

Mrs. **Kennelly**. Well, you read us a letter, and maybe I got it wrong. But was it a woman wrote to you that her child was in a day care facility with 12 children and one caretaker?

Mrs. **Schlafly**. Yes, yes, that was in my testimony.

Mrs. **Kennelly**. Was it licensed, unlicensed?

Mrs. **Schlafly**. It was licensed, in Minneapolis, and she was paying less because she was subsidized by the day care association up there.

So she chose the neighborhood lady who just took her child and had a couple of her own, to whom she actually had to pay more, because that wasn't subsidized.

Mrs. **Kennelly**. And yet I feel I can use that letter for my argument, that there should be some very basic guidelines from the Federal Government. Because no day care center, wherever it is, in any State, should have one day care worker with 12 children; it is an impossibility to take care of those children adequately.

Mrs. **Schlafly**. But there is not any real evidence to show that the quality of the day care correlates with a lot of other factors such as staff-child ratio or the pay that the caregiver gets.

There just isn't any evidence. You could have very poor women who take in a lot of children and who are very good mothers to these children. There isn't any real evidence to show a correlation between these factors.

I come to this conclusion: Where is the evidence that, if the Federal Government gets into the act, the situation is going to be any better than if you leave it alone?

Mrs. **Kennelly**. Well, that is what we are wrestling with. It seems to me that the Federal Government has gone into areas where the States did not do adequate legislation on a whole host of things, meat inspection, on and on and on.

And it was done because there were abuses. Now, everyone is citing their statistics here today. But I think we have an awful lot of testimony that there has been abuses in day care situations.

And before we let huge amounts of moneys go out again for a new system, I just cannot be convinced that we do not do anything to protect these children.

Now, I am really wanting to see how you tell me I can somehow protect these children with this increase in dollars without regulation.

Mrs. **Schlafly**. Let me just respond for 1 minute. Yes, there are abuses, but the most publicized abuses have been in the high priced, licensed centers. We have all read about them.

Mrs. **Kennelly**. The little child who went down the pipe in Texas, she was in unlicensed care.

Mrs. **Schlafly**. Yes, but if you had had Federal regulations, I don't think you would have had a regulation that said that unused oil wells had to be covered up because that was a local problem that really should be handled by the local regulation.

I don't think plugging old oil wells is on your list of Federal regulations that you were thinking about.

Mrs. **Kennelly**. I think under public safety an open well would be a hazard. I want to get back, because I think we are all ready to end.

Mr. Clayton, have you any other remarks that you would like to make? Would you like to make some remarks now?

Mr. **Clayton**. Yes, I would just like to make a comment that there is a presumption that day care is inherently good, and there is a lot of research that indicates a lot of diseases spread in day care centers, especially where large numbers of diapered babies are kept.

Mrs. **Kennelly**. Large number of what, sir?

Mr. **Clayton**. Diapered babies.

Mrs. **Kennelly**. Oh, OK.

Mr. **Clayton**. And I do not know that the case has really been made that licensure has protected all that well, because quite a few people bring up the issue of Jim Jones, for example. Jim Jones was fully licensed, and yet that didn't protect things.

Mrs. KENNELLY. He was licensed in the United States, but not in Guyana.

Mr. CLAYTON. Pardon?

Mrs. KENNELLY. Are you talking about being licensed in Guyana?

Mr. CLAYTON. Well, he was licensed in California.

Mrs. KENNELLY. In California.

Mr. CLAYTON. Yes, I have called out there and checked, and he was fully licensed. But I would also point out that they get into programmatic areas, and get into things—for example, one of my schools was told to buy $1,030 worth of cots, and they bought them.

The next year they said, you don't need them any more. It is just a very capricious thing. They would tell them what color to paint the walls.

They told the teacher one time that they didn't think the teaching of Bible stories was more important; it was more important that they learn to develop a good self concept.

And these kind of programmatic intrusions clearly have religious liberty implications. And as I indicated, the constituency that I represent has a 200-year-old history of opposing these things even though the establishment 200 years ago didn't feel that it was being very oppressive.

There were people who were jailed and beaten and persecuted. And we would like to see if there is a real—in answer to your question I think you raised, if there is a real history of crime, it is against criminal laws, and civil laws still apply to us whether we are licensed or not.

And you might say, only after the fact and it is too late. But I lived in Chicago once, and they had to close down the public schools, ball games at night. They were killing people dead.

And at the same time up in Wisconsin, the State of Wisconsin, just a few miles north of me, they were persecuting the Amish, and they had no crime. They take loving care of their old people; no juvenile delinquency; no drugs; whatever. And I don't think that there is an automatic case to be made for licensure, especially licensure of religious institutions. And I will point out very quickly that we comply with all fire, safety and health laws. We are not anarchists. We don't propose to do anything that is in any way violative of or threatening to anyone's physical health and safety.

And I think there are ways that safety can be ensured, and we feel that people should be encouraged to have more choices. And if those choices are out there, I think you will see quality improve.

But I think quality will go down when there is a restriction of choice. And I am concerned that some of the legislation, especially the ABC bill, will in fact restrict choice.

Mrs. KENNELLY. Thank you, Mr. Clayton.

Mr. Rector, if you want to go, and then Dr. Conover, you can end.

Mr. RECTOR. I think on the point of licensing that I can perhaps clarify this. I think everyone is agreed that States should license day care centers that are taking care of more than, say, six children.

The real question here with informal—and when we talk about abuse, and I would be willing to trade you abuse stories in licensed versus unlicensed facilities.

Mrs. KENNELLY. Unfortunately, we all got them.

Mr. RECTOR. But the point is that many of those abuse stories in unlicensed facilities are in facilities that are in clear violation of State law.

I believe that in the Texas case, that would be the case, that that facility should have been licensed. The creation of regulation does not have immediate efficacy, which means you immediately clear up these problems.

The pertinent question with regard to most of the daycare in the United States, however, is not a woman who is taking care of 13 kids in her unheated basement, or something like that; it is family daycare, which is predominantly unlicensed, and which overwhelmingly represents one woman with one child of her own and one or two other children in the house.

There are millions of people in this category, and we already have—now, the question is, do you want to license them? Do you want to restrict and regulate them, as the current laws do?

And for example, with the child care food program, family day care support is available to family day care providers. Most of the unlicensed providers don't come in for that, because there is an enormous amount of regulatory hoops that they have to go through.

The data I would show is that 98 percent of family day care providers reject the Federal subsidies that are available to them. When they do accept those subsidies, they immediately transform the nature of what they are doing.

The average child-staff ratio goes from 1-to-3 up to 1-to-5 or 1-to-6. There is much more unlikely to be a related child in the house. In other words, you are taking a step toward professionalizing the care.

And if in fact you require that day care providers, in order to be eligible for assistance, if a parent is using them, they would get no support unless they're licensed, what you get is automatically a step but one toward raising costs, and two, a decline in the quality.

More kids come into the home, and costs go up. There is an extensive network. It may not be around for the next 20 years, but it is certainly there today of young mothers with their own young children who are out there who are providing high quality care in an unlicensed setting.

And if you are really interested in giving parents options and in making quality care available to them, you should respect the existence of that network.

And all of the historical evidence suggests clearly, without any equivocation, that if you say that your program will only give support to those who are registered, to certified, regulated, so forth and so on, one thing happens: A lot of the day care industry does not like competition from these people. They assure at the State level that the regulations are so onerous that the informal providers will not come in.

And second, it is just clear that these women do not come up and register for assistance, so they are out of the system.

The only way you can incorporate them—and they are the No. 1 provider of infant care, and there is no way to provide a substitute for them—the only way to get them is as part of a network that provides day care for women who want it is to put cash into the hands of parents and say, look, you are the ultimate day care regulator.

You are a far better judge of quality of care than is someone sitting 2,000 miles away setting up regulations. You choose, and we will make available to you, if you want to use it, the $1.6 million for the unlicensed informal care providers to exist in this country.

Mrs. **Kennelly**. Thank you, Mr. Rector.

Mr. Conover.

Mr. **Conover**. Yes. I found some humor in the testimony today. I would like to challenge some of my colleagues at this table who are so concerned to protect the rights and options for families who want to have one of the parents stay at home to immediately go and radically oppose the Moynihan bill in the Senate, which is a bill which would force, of course, low-income parents, particularly welfare parents, I am sorry to say, to be forced through a whole program of regulations and restrictions that would push them into employment. If you are going to be really concerned about protecting the rights of women to stay at home, I urge you to get out immediately and work very hard against this kind of restriction.

It is kind of funny that it comes up at a point where we are going to provide some opportunities to low-income women, to get new resources so that they can get into the work force where they want to be, but suddenly at that point we get the testimony that says, well, we really should have those women staying at home.

We have a really funny conception of equity going on here. Call it a dog-in-the-manger theory of equity that we have got going today. It is as if we should not have child care subsidies; we should not have moneys going to families who are going to help them enter employment, as many women who are at home want to enter employment. And we know that from a variety of sources.

If we had followed Mrs. Schlafly's kind of theory of equity, we would not have public schools because some people do not use public schools. We would not have public libraries because some people do not read. We would not have public parks because some people do not play in them. And we, of course, would not have a lot of other kinds of narrow subsidies.

We are talking about a very important need that has been identified in America. We are talking about the need of a lot of people who have been going to work because they need to find resources so that they can earn a way through the difficult financial circumstances that they face. The biggest problem that those low-income parents have, especially people at the minimum wage levels, is that they are putting their children in many places where they are not satisfied. They want to have the same kinds of access to care, the same kinds of choices that would be available if they had the money to buy into other kinds of care.

I have to say I am just real troubled by this drawing out of this kind of thing. The other thing is suddenly we have discovered the child allowance. This has been an idea that has been floating for a long time. If I had been up here proposing a child allowance, why, a lot of folks would say: There goes somebody with liberal persuasions or something, trying to impose great new expenditures on the Federal Government. We are going to have a child allowance for every chid in the country.

Why is it that suddenly the child allowance notion is being drawn out just at the time that we are trying to gather attention to solving a really important problem, the problem of child care? It is clearly a red herring tactic.

Now, a serious child care allowance, I could really get excited about it, except the only problem is you get into $33 billion, one number mentioned, and really the size that I would want for a real child allowance, you would be talking about probably a whole lot more money than that.

So let us quit worrying about all these things that are being drawn across our path to call our attention away from the need to solve the problems of child care. We have got a problem; we know some good things to do about it. We can solve that; we can do some things. Let us do that.

Mrs. SCHLAFLY. Madam Chairman, may I respond since my name was invoked?

Mrs. KENNELLY. Absolutely.

Mrs. SCHLAFLY. I do not know who you are talking about on support of the Moynihan bill. Certainly I am not a supporter of the Moynihan bill.

Mr. CONOVER. I am delighted.

Mrs. SCHLAFLY. On the matter of accusing us of saying that, since we oppose subsidies to the day care industry, we must also be against public schools and libraries, that simply does not follow.

There is a consensus in this country that we do want to provide education for children beginning at age 6 or 7, whatever is the mandatory school age, and that we do want to provide public libraries. But I can tell you there is no consensus in this country that we want the Federal Government to take over babysitting. That is highly controversial, and there is no consensus on that at all.

Finally, on the matter of child allowances, I guess it is a matter of semantics, but I would call it tax reduction. And there is nothing new about our views. I have been talking about the unfairness and the inequity of this child care tax credit, and the way that the full-time homemaker has been discriminated against in the Tax Code for many, many years. She is discriminated against in the IRA's and in other ways, and I really find it appalling that you simply do not want to give any recognition to the mother who takes care of her own children.

We simply cannot have legislation that discriminates against mothers who take care of their own children while giving benefits to those who do not.

Mrs. KENNELLY. Thank you. I am going to close the hearing right now. Thank you all for coming and for your patience.

[Whereupon, at 4:40 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Child Care Connection
OF BROWARD COUNTY, FLORIDA

4740 North State Road Seven • Headway Office Park • Building C, Suite 200
Fort Lauderdale, Florida 33319 • (305) 486-3900

Barbara Weinstein, Ed.D.
Executive Director

June 21, 1988

Robert Leonard, Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Bldg.
Washington, D.C. 20515

Dear Ways and Means Committee,

As the Executive Director of the Child Care Connection, the Title XX Agency that is responsible for providing day care for the children of the low income families of Broward County, Florida, I would like to tell you of some of our concerns regarding the crisis situation which exists in the area of providing quality day care for the children of low income parents in our county. We currently serve almost 3,000 children in 38 day care centers and 50 family day care homes, while also providing and monitoring food programs, therapeutic care for the abused and underprivileged, emergency care for children who for example lose their home due to fire, care for parent teens enabling them to continue their secondary education while quality day care is provided for their children, entrant/refugee child care, resource and referral services, and care for the children of parents in the Broward Employment and Training Program. All of these programs have the same purpose...Providing a quality, safe, nurturing environment for the children and enabling their parents to lead productive lives through employment or training and education to lead to employment and therefore, defusing the long procession of generation after generation of welfare and the nonproductive atmosphere that can lead to abuse and neglect of the children.

We in Broward County are most concerned with the massive growth that the Fort Lauderdale area is experiencing. We now have 17 children entering the State of Florida each day that are in need of day care. This year in order to try and avoid massive unemployment, "Project Independence" has been instituted. This program puts welfare mothers to work and off the welfare rolls. However, the need for quality day care and its excessive cost to the newly employed stands as a blockage for women to return to work and become productive citizens, paying taxes and caring for their children instead of living off welfare and abusing and neglecting their children because of the limited finances and feelings of depression and the degradation that the welfare system can sometimes impose on these parents.

This past month in Broward County, Florida we served over 2,600 children, of which 175 were Project Independence children and 249 were under Protective Services. While we work very hard for these children and are proud of the care they receive, the thought of the 2,533 children that are currently on our waiting list to receive day care diminishes our pride and has become our nightmare. Broward County's waiting list for child care is currently ranked third in the state and now, most unfortunately, is almost larger then the number of children we serve! With your efforts to pass child care legislation and appropriate funds for quality care, we may no longer have to dread the nightly news and the reports of yet another one of America's children being severely injured or killed due to lack of adequate day care. Why would we impose this possibility on our most precious asset...our children...America's future?

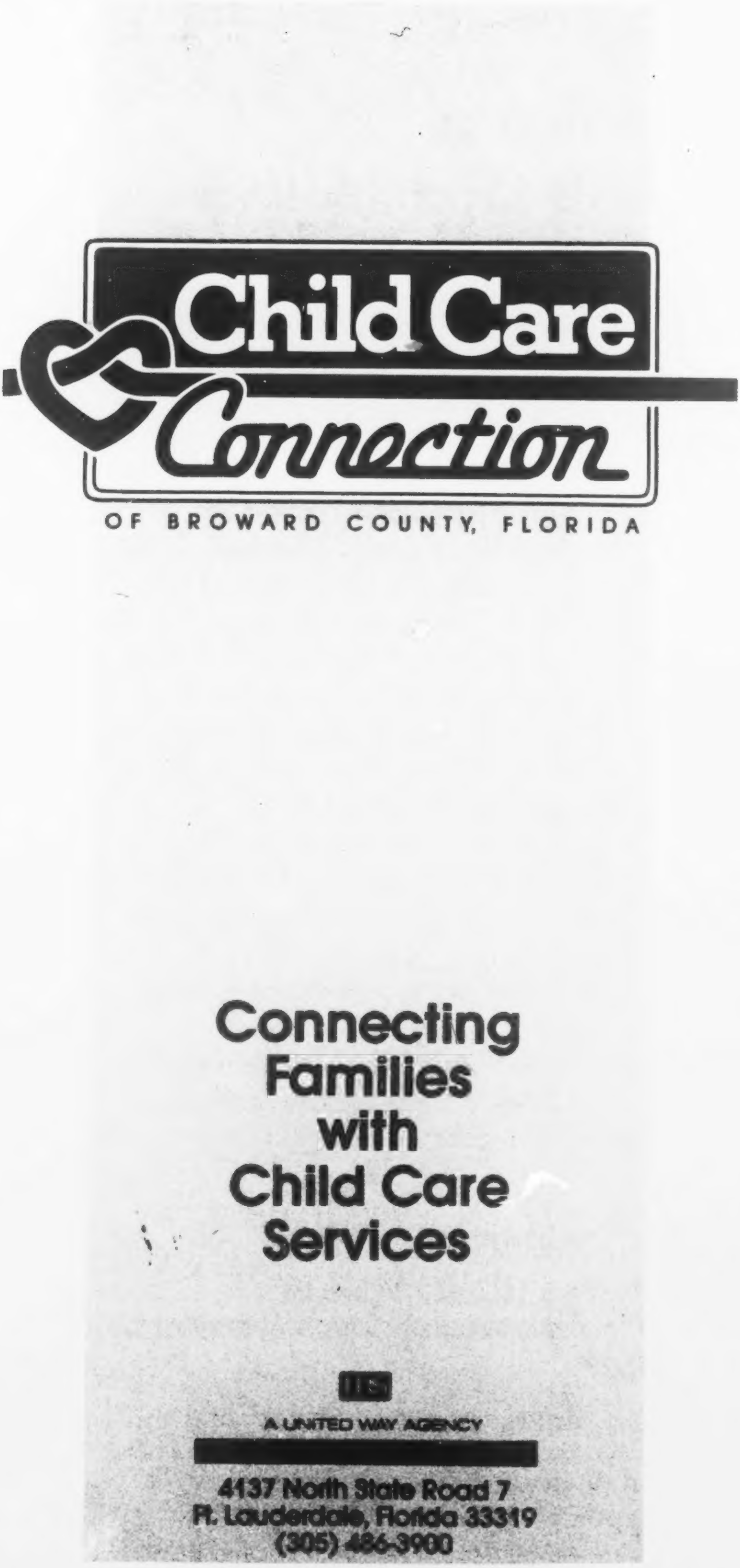
I believe it is time for the Federal Government, under your direction, to initiate programs that will make day care for children a must and therefore give low income parents back their integrity and the opportunity to become productive working citizens and provide for their children.

I gratefully acknowledge your dedication to the children of our nation and am proud to count you among the friends of the Child Care Connection of Broward County, Florida who allow us the privilege to act as the advocates for the needs of young children. I know you will continue to do everything in your power to initiate programs and appropriate the funds to provide for the needs of the children.

Sincerely,

Barbara A. Weinstein, Ed.D.
Executive Director

Enclosure
BAW/jae



Child Care Connection

OF BROWARD COUNTY, FLORIDA

Connecting Families with Child Care Services

A UNITED WAY AGENCY

4137 North State Road 7
Ft. Lauderdale, Florida 33319
(305) 486-3900

What is The Child Care Connection of Broward County, Florida?

The Child Care Connection of Broward County, Florida (CCC) was incorporated in 1973 as a not-for-profit agency, whose goals are to promote the development of effective county-wide child care programs; as a contracting agency to secure local monies to match available state and federal funds; to secure funds from various sources to be used to enhance the quality of child care; and to act as advocates for the needs of young children.

We have been assisting families since our incorporation and have developed services tailored to meet both corporate and public agency needs.

Connecting With Public Policy

We participate in public forums and legislative seminars; we are a member of a statewide network of child care agencies. Through this networking, we actively seek to educate the public on child care issues.

Connecting Parents to Licensed Child Care

Child Care Connection Resource and Referral Service

The Child Care Connection Resource and Referral Service began in August, 1986. Trained counselors refer parents to licensed child care centers or registered family day care providers and furnish them with information regarding the local child care rules and regulations.

Anyone who wishes to become a provider or become part of our child care referral network may do so by calling 486-CARE. As a free community service, funding has been, and must continue to be provided by local businesses.

Connecting with Employers to Address the Child Care Needs of Their Workforce

Employer Sponsored Child Care

CCC offers companies a variety of employer sponsored child care options tailored to the needs of its employees. The range of services may include providing a Resource and Referral Service, a voucher program managed by our agency, on-site child care center, or establishment of a corporate consortium child care center.

Connecting Parents with Subsidized Child Care

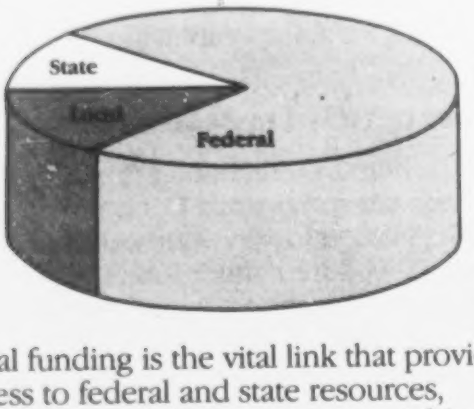
CCC is the HRS designated central agency for the Social Services Block Grant. As such, CCC has responsibility for coordinating a county-wide network of child care programs serving children whose parents are of low-economic means. Subsidized child care allows families to become self-supporting and to reduce their dependence on public funding.

Under this program we provide:

- a safe environment
- loving care
- good nutrition
- learning activities
- school readiness
- staff training

How we are funded...

- Federal funding: 75%
- State funding: 12.5%
- Local funding: 12.5%



Local funding is the vital link that provides access to federal and state resources, because *local* dollars generate matching *federal* and *state* dollars.

Connecting Parents to Specialized Programs

Beta-Broward Employment *& Training Administration*

This program benefits both parent and child. Children receive quality care while parents are learning job skills to become self-supporting.

Entrant/Refugee Child Care

Eligible participants for this program are children of Entrant/Refugee clients who are either enrolled in job training programs or who are actively seeking employment. Services are initiated by a native language child care counselor.

Cyesis/Teen Parent Program

The target population for this program is teenage mothers. CCC provides child care to meet the objective of this program: to help teenage parents continue their education at a secondary level; receive child care services and training; obtain counseling; furnish appropriate health and nutrition instruction; and learn a marketable skill for gainful employment.

Therapeutic Day Care

CCC offers a therapeutic program at several sites in Broward County: This program is funded to serve abused and/or neglected children and is a multifaceted treatment-prevention program providing intervention for children and parents in an attempt to effectively prevent and treat child maltreatment.

Concerned Women for America

370 L'ENFANT PROMENADE, S.W., SUITE 800 WASHINGTON, D.C. 20024 (202) 488-7000

Beverly LaHaye
President

June 8, 1988

The Honorable Thomas Downey
Subcommittee on Public Assistance and Unemployment Compensation
House Ways and Means Committee
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Downey:

Thank you for your willingness to hold public hearings on the vital issue of the Child Care needs of low income families. Considering the needs of our nation's children is the crucial issue at hand in this vital debate.

Concerned Women for America is a national organization with representation in every district of the states and Puerto Rico. We would like to request that our two Policy Concern statements on the issue of child care be placed in the record for the hearing.

Enclosed are copies of these Policy Concern statements. Thank you for your consideration in this request.

Sincerely,

Beverly LaHaye

Beverly LaHaye
President

"Protecting the rights of the family through prayer and action"

Concerned Women for America
Education & Legal Defense Foundation

Beverly LaHaye
President

POLICY CONCERNS

122 C Street, N.W., Suite 800 • Washington, D.C. 20001 • (202) 628-3014

THE "ACT FOR BETTER CHILD CARE"
SOCIALIZATION OF OUR FUTURE GENERATIONS

I. INTRODUCTION

The "Act for Better Child Care Services of 1987" was introduced as S. 1885 in the Senate and H.R. 3660 in the House of Representatives.

The bill's proponents claim that it is designed to improve and expand child care in response to the needs of children in homes where both parents work and in homes with a single parent who works. To provide for this alleged growing need, the sponsors propose a massive Federal program, the expenditure of vast sums of taxpayer dollars, and the institutional secularization of our children all for the "betterment" of society.

The truth about this shrewdly-drafted legislation is that it is a devastating attempt to respond to the whims of special interest groups that desire the complete socialization of our society.

II. FLAWS OF S.1885 and H.R. 3660

Based Upon a Fabricated Shortage of Supply

Proponents of this legislation demonstrate the false need for child care by contrasting the growing number of mothers entering the workforce with the small increase in "licensed" facilities. Undoubtedly, mothers are entering the labor force at an increasing rate. According to the U.S. Census Bureau, only one fifth of married mothers with children under six participated in the paid labor force in 1960. Today, 35 percent of women with children under five are working full-time; with another 20 percent working part-time.

However, proponents of expansion in Federal support usually cite these statistics in contrast to the only slight increase in "licensed" centers. This contrast is inappropriate. Sandra L. Hofferth, health science administrator of the National Institute of Child Health and Human Development, stated in a report before the Select Committee on Children, Youth, and Families that an estimated 94 percent of informal care centers are unlicensed and therefore not included in the trends of supply in day care. Since 85.2 percent of working mothers use the informal care settings not included in the statistics, the supply trend in relation to demand is skewed in the interest of those promoting this legislation.

The Myth of Economic Necessity

Realizing that it is only through federal subsidization that social parenting would expand to the degree necessary to challenge parental care as the dominant form of child care, the organizations advocating institutionalization began to harp on the economic necessity of women entering the workforce. The strategy behind the advancement of this argument is to promote the necessity of government subsidies for families desiring to become more economically self-sufficient.

In reality, families are in fact under less pressure today to earn two incomes than they were in the fifties. According to Fortune magazine, "In 1956, the average male head of household with a nonworking wife earned $4,833. Adjusting for 30 years of inflation, that's $22,000. The equivalent figure for 1986 was $25,803."

Contrary to assertions by the legislation's proponents, the American economy is at an all time high. From 1981 to 1986, real per capita disposable income rose 12.3 percent, or a little over 2.3 percent per year. The median family income for the same period rose 9.1 percent.

In addition, the rate of inflation has dropped from 13 percent in 1980 to four percent in 1987 and the rate of unemployment dropped from eight percent to 5.8 percent during the same period. The misery index, a means of measuring the effects of the economy on the purchasing power of families, also dropped considerably. In 1988, the misery index is less than 10 percent down from a high of 20 percent in 1980.

Faulty Premise

Senator Dodd (D-CT) and Congressman Kildee (D-MI) have introduced this legislation under the premise that expanded Federal involvement in the area of child care is the optimal solution to the alleged child care "crisis." They propose government-provided, licensed, and regulated care with only these facilities receiving federal funds.

The result of this underlying premise will be uniform, unisex, custodial care by government-trained professionals. The similarities between this system and that of Sweden are striking. In Sweden, babies are taken from their parents a few months after birth and raised by day care professionals. The supposition is that family care is inferior to care by trained "experts." The Swedish government desires to raise children to value only the socialistic tenets of their society rather than risking moral "indoctrination" by parents.

The Dodd-Kildee program would offer the same to our children. Parental choice would be totally curtailed and parental involvement would be kept to a strict minimum. The counseling and guidance provisions in the bill open children up to liberal programs of indoctrination. These trained "experts" would be free to offer the guidance in value judgements that would normally be the responsibility of parents.

Discriminatory Provisions

The discriminatory measures this legislation would impose are beyond reproach. In fact, these provisions are so clearly discriminatory that certain members of the ABC alliance are calling for modifications.

Anti-Religious:

This legislation contains the most outrageously anti-religious provisions ever to appear in a bill. The advancement of strictly-controlled secular care is obvious throughout the legislation, but the drafters disdain for religion becomes most apparent in the provision prohibiting funds for sectarian activities with "sectarian activities" defined as those programs "promoting a particular religion or religion generally." According to the American Heritage Dictionary, sectarian is defined as "of a particular sect or sects." "Religion generally" is the direct antithesis of this definition. The use of these terms interchangeably indicates the lengths to which the proponents of this legislation will go to deter even the most casual mention of God.

The provision further prohibits services to be offered "in any classroom or other immediate space in which child care is provided unless all religious symbols and artifacts are covered or have been removed from such classroom or space." Therefore, all day-care programs offered in churches are exempt from any funding unless they are willing to hide or disguise any reference to God or their particular religion.

As if the above provisions had not "protected" the centers' secular activities enough, the drafters go one step further and prohibit any teacher or teacher's aide in a sectarian school from providing any services (paid or volunteer) to a center located on the premises of the sectarian institution.

This legislation also contains serious "Grove City" implications. Section 20(a) states, "Any financial assistance provided to a child care provider under this Act including a loan, grant, or child care certificate, shall constitute Federal financial assistance within the meaning of title VI of the Civil Rights Act of 1964 (42U.S.C. 2000d), title IX of the Education Amendments of 1972 (20 U.S.C. 1681, et seq.), the Rehabilitation Act of 1973 (29 U.S.C. 794), and the regulations promulgated under such." The significance of this provision can be expressed using the example of a religious university operating a day-care facility. The moment this university takes one Dodd-Kildee bill certificate from a low-income mother, the entire university becomes subject to the regulation and restriction of the above listed laws.

Discriminates Against In-home Care:

By not providing funds to parents that choose to raise their children, this bill not only discriminates against parental care but it, in effect, forces these couples to pay for the privilege of rearing their children. Current reports indicate that a two-income family already makes an average of $12,000 more each year than a single-income family. If the Dodd-Kildee legislation is enacted, the single-income family will be forced to shoulder a percentage of the burden of the two-wage family's child care expenses. The relative burden of these single-income parents will increase in relation to the burden of those parents that opt for government-regulated care. What could be more unjust and discriminatory? (Note: The $12,000 figure is derived by comparing the median income of married couples where the wife is employed with married couples where only the husband is employed.)

This type of discrimination will destroy the family unit the most basic structure of our society. It will encourage, if not force, mothers who would otherwise stay at home, to institutionalize their children and seek employment.

Eliminates Parental Choice Within Group Care Facilities:

The Dodd-Kildee bill seeks to create a monopoly of government-regulated care in two ways. First, it prohibits the use of certificates (provided for in the bill and issued by the State for parents to use as payment for child care) to centers that meet the licensing requirements of this bill. If parents choose to use the certificates then they forego the chance to choose the type of care. They will be forced to use the uniform, secular care of the licensed centers.

Secondly, it provides educational grants to those students that will commit to using their child-care training in a licensed facility. Therefore, the incentive for working in a private center will greatly decrease again limiting parental choice.

These two results of the legislation will eventually eliminate private care centers and curtail any semblance of parental choice. In essence, it will pave the way for government monopolization of this highly significant industry.

Fosters Government Dependency

It is indeed ironic that this bill purports to increasing the self-sufficiency of families when it actually fosters dependency. By becoming involved in the child care industry and eliminating private centers, the government is, in essence, taking the reponsibility of raising children away from parents. Just as welfare has encouraged the false assertion that the government owes people an income, this legislation will encourage the notion that the government is responsible for raising America's future generations. Child care will be considered a right to which every parent is entitled.

Creates an Incredible Bureaucracy

This legislation creates a new bureaucracy of incredible proportion authorizing $2.5 billion for the first year in addition to undisclosed amounts for succeeding years. Using a minimum of 25 percent of the allotted funds, the Department of Health and Human Services will create the position of "Administrator of Child Care" and allow for a generous support staff under this individual. It also creates and provides expenses for a National Advisory Committee on Child Care. This vast administrative branch will use the alotted funds for administration of this program, the development and implementation of regulations and the training of staff.

States may spend up to 10 percent of their alotted funds for administrative purposes. Each state's bureaucracy will increase dramatically with the establishment of two committees, the State Inter-Agency Committee and the State Advisory Committee on Licensing.

The money that is authorized for administrative purposes, not the commitment to children, is what encourages the mounting interests of many of the members of the Alliance for Better Child Care. In assisting in the development and implementation of regulations and the training of staff, many of these organizations stand to benefit financially from this legislation. In fact, the provisions regarding state implementation are so open-ended that an independent child advocacy group could oversee the entire application of the state program.

Low Per-Child Benefit

The use of these funds for the creation of a bureaucracy lowers considerably the per-child benefit. Despite the massive amount of money authorized for this expansion, the per-child benefit averages only perhaps $700 per child. The cost of child care varies regionally but the average cost is approximately $3000. (Keep in mind that this benefit is not in the form of cash to the family but a certificate that supposedly reduces the fees paid.)

In reality, the per-child benefit to families is more in the neighborhood of zero when you consider that the increase in the per-child cost of care induced by this legislation will cancel out the reduction in fees provided for in the certificates.

Addresses the Needs of a Small Clientele

This legislation benefits a minority of employed mothers seeking child-care arrangements. The most recent reports from the U.S. Census Bureau indicate that only 14.8 percent of employed mothers use group care settings. The other 85.2 percent choose informal care either by family members or friends in the child's home or the home of another. While some would claim that these statistics are not in direct correlation with preference, it is by no means bold to assume that preference in the type and quality of care is indeed represented in these parents' choices.

III. THE ADVERSE EFFECTS OF DAY CARE

In the quest to placate certain special interest groups, the proponents of this legislation have abandoned the interests of our most vulnerable Americans. For quite some time, research on the effects of day care received very little attention. Today, extensive research has raised grave concerns regarding the medical, social, and psychological risks of group care but a coalition of day care professionals, feminists, and socialists have continued to evade and suppress the results.

Health Concerns

Group day-care centers have been described as virtual transmission centers for hepatitus, severe diarrhea, and other infectious diseases. The Wall Street Journal cites a 1982 study which refers to group centers as "significant reservoirs of infectious diseases."

The most shocking discovery is that day care may be linked to birth defects. Research has uncovered the fact that Cytomegalovirus (CMV), virtually harmless to men, children, and nonpregnant women, can cause birth defects if contracted by pregnant women. This virus, readily transmitted in day care centers, can affect the hearing, vision, brain development, and neuromuscular function of the unborn. The New England Journal of Medicine recently reported that a team from the University of Alabama at Birmingham found that "59 percent of the day-care children examined were shedding CMV and that CMV was found on toys used in the day-care center." Further antibody tests indicated that the cumulative infection rate of the day-care children examined was between 70 and 100 percent.

In 1984, The Journal of the American Medical Association reported a study of the disease Hemophilus Influenza Type B, a potential forerunner of childhood meningitis, epiglottis, pneumonia, arthritis, and blood and skin infections, which found that day-care children were 12 times more likely to contract the disease than children cared for in the home. A Colorado study by Dr. Gregory Istre, Oklahoma's state epidemiologist, indicated that the risk doubles when children are placed in day-care facilities.

The chance of hepatitus breaking out in a day care center over the course of a year is between one and three percent. The risk doubles if diapered babies are present. Dr. Stephen Hadler, chief epidemiologist of the hepatitus branch for the Centers for Disease Control stated, "Fifteen percent of all infectious hepatitus cases in the U.S. are acquired through a day-care facility."

The risk of contracting diarrhea increases 30 percent when children are placed in day-care centers. A study of an Atlanta facility by epidemiologists from the Centers for Disease Control found that more than 50 percent of the toddlers present were infected with a diarrhea-causing bacteria called Giardia Lambia. The rate for similar children in maternal care was two percent.

Psychological and Social Risks

John Bowlby was one of the first to study the separation anxiety of children. He engaged in the psycho-analytic treatment of both children and adults and obtained three classes of evidence: (1) direct observation of the mental and emotional development of children during a term of separation from their parents; (2) studies of the histories of adolescents and adults who have developed some type of mental illness; and (3) studies which follow-up children that have experienced separation. After reviewing the data, Bowlby concluded, "They [the studies] make it plain that, when deprived of maternal care, the child's development is almost always retarded physically, intellectually, and socially...."

Bowlby also studied 800 Canadian children and concluded that "events in the child's life that caused separation from one or both parents and a mental environment which gave the child a feeling that normal love and affection were lacking, did far more to damage growth than did disease...."

Dr. Edward Levine, retired professor of social psychology at Loyola University, states, "Parents, especially mothers during their children's early years, are crucial in assisting their children to internalize those values that are integral for the formation of self-discipline a sound conscience or character. If evaluated by the standard of children's mental health, day- care is detrimental to children's emotional well-being."

William and Wendy Dreskin founded and managed a quality day-care facility for three years. After observing the separation anxiety experienced by the children for which they cared, the Dreskins conclude, "Full-time day care, particularly group care, is not an adequate substitute for time spent with parents, and can be especially harmful for children under the age of three." The Dreskins' extreme concern for the well-being of the children in their center prompted them to shut it down.

Dr. Humberto Nagera, in his studies of childhood psychopathology found that environmental stimulation such as mother-child interaction is crucial in brain development by increasing the complexity of the pathways in the brain, stimulating the continued vascularization (amount of oxygen available to the organ), and favoring the process of myelinization (sheathing of nerve fibers).

The degree of change in the pathways of the brain (i.e. complexity) directly affects the functional capabilities and possibilities of the brain. Tests prove that stimulation is critical in this morphological process. Nagera concludes, "Possibly then, life, as is bound to happen in a day-care center situation, may well lead to an inferior quality of brain structure (fewer connections and fewer functional pathways)." It is also important to note that this process can only take place for a limited time after birth and cannot be brought about at a later date.

The process of vascularization is also unfinished at birth. In comparative species studies, the excellence of a certain function was directly related to the degree of vascularization of the area of the brain governing that function. Therefore, since the degree of vascularization directly corresponds with the amount of external stimulation, the lack of stimulation may affect the quality of performance in certain functional capabilities later in life.

Comparative species studies have also found that the sheathing of nerve fibers is directly related to functional capability. Nagera states, "Even after the fetal stage, environmental stimulation (or lack thereof) can modify developing structure in the central nervous system."

Nagera cites numerous studies that demonstrate the effects of maternal deprivation on a child's intellectual capabilities, personality, and social interaction. He concludes, "Clearly, no sensible society can afford to damage hundreds of thousands of its children by mass-producing and officially condoning, institutionalizing and supporting child-rearing practices known to produce such disastrous results."

IV. THE PROPONENTS' TRUE AGENDA

Discussion of the basic flaws and potential effects of this legislation uncovers the proponents true agenda. Ranging from the bill's foundation on a fabricated need to its detrimental effects on the family unit, it becomes obvious that the objective of this legislation is not to benefit children but instead use them as mere pawns in the proponents' artful strategy to move us toward a more socialistic society.

Child Care's Link to Feminism

The Declaration of Feminism states, "...the fact that children are raised in families means there's no equality ... in order to raise children with equality we must take them away from families and communally raise them."

For the first 180 years of our country, the responsibility for raising children was considered to be the family's. It was not until the 1920's that "professionals" in the field of sociology began to claim that the family was unable to fulfill its responsibility and therefore "experts" would have to step in and assist. The claims by these so-called professionals opened the care of our children to a vast amount of speculation.

In reality, this move was not a reaction to a need but rather the first attempts at taking children away from parents and placing them in an environment conducive to developing independent moral standards and values. Then-prominent social psychologist George Mead stated, "Gender-free, noncompetitive playthings properly presented in a day-care center, could produce a new generation of children, trained to be independent in their moral judgements yet cooperative in their social activities."

In 1930, The White House Conference on Children publicly espoused the judgements of these experts and issued a statement saying, "If the grouping of little children for a few hours each day for educational activities and for habit-training through nursery schools is found to be desirable in itself, then this service should be extended on behalf of children generally, regardless of the economic status of the family."

Day care centers sprang up throughout the country and organizations rushed to provide funding. Credibility for social parenting had been established.

The next 30 years witnessed the increase of Federal intervention in child care to meet the demands of national emergencies. World War II initiated an increase in child care to meet the demands of those mothers who entered the labor forces of defense factories. But the end of the war brought an end to any programs that had been established. The role of parenting was returned to the family. However, the precedent of social parenting had been set.

The early 1960s witnessed the next shift in ideas regarding motherhood. Again,"experts," using faulty logic and distorted facts, belittled the mother's role in a child's emotional development. The speculation these arguments created was immediately seized and used by the radical feminists gaining prominence during the late 1960s to alter the child-care issue and make it an issue of "equality."

Feminists claimed that motherhood oppressed women and that true equality would never be reached until women were removed from this responsibility. In order to remove women from this oppressive role, the feminist movement revived the devastating precedent of "social parenting." They committed themselves to convincing the American public that the government bears the ultimate responsibility for raising the nation's future generations.

At the National Organization for Women's national convention in 1970, the organization declared, "Child care must become a political priority," and called for the establishment of a coalition "to exert pressure on the power structure of labor, industry and government to immediately make available facilities, funds, etc. and to grant tax deductions for quality child care."

Betty Friedan, a prominent leader in the women's liberation movement, used her book, The Feminine Mystique, to communicate the idea that women must leave the home and seek a position in the work force to discover their true identity. Friedan argued, "By choosing femininity over the painful growth to full identity, by never achieving the hard-core of self that comes not from fantasy but from mastering reality, these girls are doomed to suffer ultimately that bored, diffused feeling of purposelessness, non-existence, non-involvement with the world that can be called 'anomie', or lack of identity or merely felt as the problem that has no name." Of course, Friedan's solution to work outside the home was not generated out of her care for this "doomed" generation of young girls but was generated from her desire to break the bonds of the nuclear family. In 1981, prominent feminist author Vivian Gornick echoed Friedan's sentiments when she wrote, "Being a housewife is an illegitimate profession...the choice to serve and be protected and plan towards being a family-maker is a choice that shouldn't be. The heart of radical feminism is to change that."

The feminists' commitment to federal care as the dominant form of child care grows stronger with each passing year. In fact, the National Organization for Women (NOW) passed the following resolution at its 1986 national conference: "BE IT RESOLVED that: NOW supports full public funding of early childhood education/child care starting in infancy and continuing through primary and secondary school in a variety of child care arrangements."

Feminism and Socialism: One In the Same

Clearly, not all of the proponents of this legislation would label themselves feminists but the fact remains that the feminist movement and the movement toward a more socialistic society are one in the same. Both movements espouse the basic philosophies of humanism in which, as prominent feminist Gloria Steinam phrased it, "children are raised to believe in human potential not God." The Humanist Manifesto states, "At the present juncture of history, commitment to all humankind is the highest commitment of which we are capable; it transcends the narrow allegiances of church, state, party, class, or race in moving toward a wider vision of human potentiality."

Marx wrote, "Social progress can be measured with precision by the social position of the female sex." Lenin wrote, "It is impossible to win the masses for politics, unless we include the women.... We must win the millions of working women in city and village for our cause, for our struggle, and in particular, for the communistic transformation of society. Without the women there can be no true mass movement."

The socialists' desire for the abolition of private property and the communalization of the means of production goes hand in hand with the feminists' desire to create a collectivist society that recognizes no individuals and undermines the family unit. Marx and Engels, in the Communist Manifesto stated, "On what foundation is the present family, the bourgeois family, based? On capital gain, on private gain. In its completely developed form this family exists only among the bourgeoisie. But this state of things finds its complement in the practical absence of the family among the proletarians, and in public prostitution. The bourgeois family will vanish as a matter of course, when its complement vanishes, and both will vanish with the vanishing of capital."

The proponents of this legislation expose their true objectives in the numerous references this legislation makes to the training of "productive workers." In fact, Marilyn Smith, executive director of the National Association for the Education of Young Children, a member of the Alliance for Better Child Care, states, "A wide variety of groups including the Council on Economic Development are calling for investment in high quality early childhood programs as an integral part of a strategy to prepare the next generation of workers."

In essence, the government's acceptance of the primary responsibility in child care would greatly enhance the move toward a proletarian society. The family unit would be dissolved and these child-care centers would be free to serve as vehicles in the socialization of future generations with acceptance of their newly created roles as unisex and valueless automatons. The socialists' battle would be won with the introduction of these "licensed indoctrination" centers.

V. CONCLUSION

Concerned Women for America sympathizes with the mothers today that have no choice but to work. However, the "Act for Better Child Care" and its licensed centers are not a solution for those parents struggling to provide a healthy, positive environment for their children. In fact, placement in these centers would sacrifice the quality of life for a child.

In evaluating future legislation, it is important to remember that the solution need not emanate from Washington. Beware of mushrooming entitlement programs that would benefit only a small constituency at the expense of our children and/or private sector alternatives.

Above all, responsible legislation must recognize our children for what they are the future of America. If America is to continue to exist as we know it, responsibility for instilling morals and values must remain within the family. The freedom we enjoy in this nation depends upon our renewed commitment to this God-ordained institution.

Concerned Women for America
Education & Legal Defense Foundation

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POSITION REPORT

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GIVING CREDIT WHERE CREDIT IS DUE
TWO PRO-FAMILY ALTERNATIVES

I. INTRODUCTION

Since the introduction of the "Act for Better Child Care," the controversy surrounding the child-care issue has centered on an alleged child-care "crisis." For months, this fabricated "crisis" was perpetuated by legislators, special interest groups, and the liberal media with virtually no questions asked.

Fortunately, the advocates of government-regulated care have finally met with some opposition. After exhaustive study of this issue, the "crisis" myth has been exposed. No child-care crisis ever existed. It was simply a ploy.

Experts now realize that if any crisis exists today, it is in the discriminatory nature of our tax code in providing relief to families with children.

Two pieces of legislation, now before Congress, admirably address this discrimination. Representative Clyde Holloway (R-LA) has introduced his child care tax credit reform bill as H.R. 3944 (with companion bill S. 2187 introduced by Senator Malcolm Wallop (R-WY). The other piece of legislation, the "Toddler Tax Credit," was introduced by Representative Richard Schulze (R-PA) as H.R. 4434.

II. LEGISLATION

Holloway -- H.R. 3944

The Holloway bill will reform the current child care tax credit to provide tax credits (applied against the federal income tax) to all families with pre-school age children. The credit varies from about $400 per eligible child in families with an adjusted gross income of less than $18,000 to $150 per eligible child in families with an adjusted gross income of more than $30,000. For those families whose tax liability exceeds their income, the credit is refundable from the amount paid during the year in Social Security taxes.

Families who wish to distribute the cash benefit throughout the year will fill out a W-5 form to reduce the cash withheld from each paycheck.

The cost for the Holloway bill will be $600 million in addition to the $3.9 billion currently allotted in the discriminatory child care tax credit. Since the Department of the Treasury's projected cost of the existing credit is $4.565 billion for 1989, the Holloway bill is a revenue-neutral proposal.

Schulze -- H.R. 4434

The Schulze bill provides a tax credit of $750 for each child under six to families with adjusted gross incomes over $13,000. These tax credits will be applied against federal income and social security taxes. For those families whose tax credits exceed tax liabilities, the balance will be refunded in cash.

For families with incomes of less than $8,000 per year, this bill will provide for a cash refundable "earned income tax credit for young children" (EITC/YC). This EITC/YC will be in the form of a wage supplement of $15 for each $100 earned by the parent for the first child under 6. A wage supplement of $10 for each $100 earned will be paid for each additional child under 6.

Those families that earn between $8,000 and $13,000 will receive a reduced EITC/YC rate per child. For each child under 6, the rate will be 5.75 percent of each $100 earned.

This "Toddler Tax Credit" will replace the existing tax credit for children under six. It will also limit eligibility for the EITC/YC to families with working parents. Families in the Aid to Families with Dependent Children program will not be eligible.

A phase-in period of five years is planned for this legislation. It will cost approximately $300 million for the first three years and provide tax cuts totaling approximately $2.2 billion. By the fifth year, tax relief for families with young children will exceed $7 billion per year. Provisions also provide for indexing against inflation of the tax credits and the income levels used in determining the EITC/YC after the fifth year.

III. BENEFITS OF THESE LEGISLATIVE PROPOSALS

These two legislative proposals are superior to any of the other pending legislation for numerous reasons.

Reforms in the Current Child Care Credit

The current child care tax credit provides benefits to only those families where both parents are employed. Each of these bills eliminates the discriminatory child care portion of the current child and dependent care tax credit.

Benefits a Greater Number of Children

These proposals provide tax benefits to all families with young children rather than channeling benefits to the children of employed parents only. H.R. 3944 and H.R. 4434 will benefit 20 million and 18 million children respectively rather than the estimated 10 million children that benefit from the current tax credit and the 700,000 children that will benefit from the ABC bill.

No Religious Discrimination

Neither of these bills would provide for any government restriction or intervention in church-based, day-care centers.

No discrimination against In-home or Informal Care

H.R. 3944 and H.R. 4434 benefit all families regardless of the employment status of the mother or the care choices of the parents. The current child care tax credit only provides tax benefits if the mother is in the paid labor force. The ABC bill discriminates against care in the home by a parent or relative and informal care by a non-relative by providing benefits to only those families that place their children in a prescribed type of federal care.

Increases Parental Choice

These proposals offer greater parental choice as to the type of care by directly increasing purchasing power. Under either of these legislative packages, parents will be provided greater means with which to afford the type of care that best meets the needs of their family. The ABC bill limits parental choice by providing benefits for only one type of care.

Primary Responsibility for Care Remains within the Family

Other legislative proposals pending before Congress assume that children would be much better off in the hands of government-trained "experts." For this reason, these destructive proposals use certificates that are only redeemable at government-regulated centers. The Holloway and Schulze bills channel the benefits directly to the family, leaving parents with the responsibility for the type of care.

No Bureaucracy

Neither the Holloway nor the Schulze bill provide for any new bureaucracy or give any additional power to the federal government. All other day-care bills now before Congress would increase the size, power and expenses of the Federal goverment. (Note: Licensing responsibilities would be left at the state level where they belong).

Higher Per-Child Benefit

Since the Holloway and Schulze bills do not provide for the administrative expenses of a new bureaucracy, the per-child benefit offered in each of these bills is significantly higher. The Holloway bill allots $150 to $400 per child. The Schulze bill allots $750 per child. As written, the ABC bill appears to provide as much as $750 per child but the outlays for administrative costs make this impossible. In reality, it would offer no real per-child benefit since the cost increases induced by this legislation would cancel out the minimal benefits provided for in the certificates.

IV. BASED UPON SOLID PRO-FAMILY PRINCIPLES

In sharp contrast to the "Act for Better Child Care" and the current child care tax credit, these legislative packages are clearly pro-family. Each eliminates the anti-family bias of the current child care tax credit and provides a means with which the family can continue to perform its traditional functions.

Likewise, each bill strengthens parental rights rather than eroding them with government intervention. These proposals clearly convey the message that the primary responsibility for children rests and should continue to rest within the family.

At a time when the federal government is attempting to invade every aspect of our lives, these bills take a stand for freedom from oppressive intervention. Each proposal returns government to its role of supporting the independent family unit rather than undermining its authority.

V. CONCLUSION

The current discriminatory tax provisions which threaten the stability of the family must be eliminated. The spiritual and emotional development of our future generations depends upon our commitment to this task.

America's children must learn the importance of individual responsibility but they will never learn if we do not support legislation which provides for personal responsibility rather than dependence upon governmental regulation.

For the sake of our children and our nation's freedom, the American family must fight for and maintain its independence from governmental intervention.

STATEMENT OF HON. PHILIP M. CRANE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to testify on behalf of my bill on child care. As a father of eight children and grandfather of one, I certainly recognize the necessity to provide qualified care for our children.

Child-care legislation and what the federal government's responsibility in this area should be, is becoming one of the hottest topics before Congress. The issue centers around the federal government's role in assisting the record number of mothers entering the work force that results in the obvious need for someone to care for their children.

While I recognize the need for qualified child care, I also believe that we in Congress should take this opportunity to address another important need that is being overlooked. The need to take care of handicapped family members and also our aging family members. We need to provide quality care to all family members. Why should we stop with legislation on child care alone? We need to provide financial advantages for families to care for themselves and all of their loved ones. This includes not only children, but our elderly parents and grandparents, as well as handicapped members of one's family. Therefore, I introduced H.R. 4219 to benefit the welfare of the whole family.

My bill, the Family Care Package of 1988, will give a tax deduction to the family and allow them to have more take home pay, after taxes. A parent will be able to use this extra money to choose what is the best child care for that family. In addition, it will not discriminate against a mother who chooses to stay at home with her children instead of entering the work force. Furthermore, it encourages care of our parents, and other dependent family members often forgotten in today's nuclear family environment.

My legislation would address pre-school age dependents by allowing a parent to receive a tax deduction of $5,000 from birth to age six, and a $4,000 deduction for children between the ages of six and eighteen. Furthermore it would allow a taxpayer to receive a $5,000 tax deduction in the case of any qualified dependent who is physically or mentally incapable of caring for himself. Finally it would allow a $4,000 deduction for any dependent who has reached the age of fifty-five. All of these deductions would also be indexed yearly for inflation.

The taxpayer who provides more than 50 percent of financial support to a dependent over 55 qualifies for this deduction. The dependent's earned income will be only those distributions stemming from direct compensation such as wages, salaries and other forms of direct compensation. Not included as earned income are pension income, retirement benefits, interest income from retirement accounts and other such proceeds.

Current law provides for a deduction for any dependent child of $1,900. The current dependent care credit ranges from 20% for upper income individuals to 30% for lower income individuals, of care cost. This credit is provided for a percentage of up to $2,400 for one child or $4,800 for two or more children. A 30% credit would only return $720 for the lowest adjusted gross income level and $1,440 for more than one child. My legislation would increase the deduction for children and at the same time abolish the highly ineffective existing child care credit.

The need for this increase in tax deductions is two-fold. First, the value of the dollar when the dependent deduction was added to the tax code has failed to be adjusted for the rate of inflation over the years. The proposed deduction would allow the family to regain some equity from this indexing. Second, the family has suffered financially because of the lack of indexation.

The reason the United States is facing this current child care problem is not because of the lack of day-care programs, but because of the erosion of family income. That is caused by a tax code that is increasingly biased against dependent children. Rearing children is something which is socially necessary and desirable, and so our tax code should be trying to encourage that. But it is not. The heavy tax burden shouldered by young families is exacerbated by inflation. Consequently that inflation has steadily undermined the value of the income exemption for children. My legislation would take one giant step in the direction of restoring the relative value of the exemption for young children to the level which existed in the 1950s. With the higher exemption, families would be free to use the added income for any purpose they chose, including choosing the day-care system of preference.

Over the years, the American three-tier family has disintegrated into today's nuclear family. America has benefited materially and culturally from the three-tier family concept. My legislation will encourage reformation of that time honored and valued concept. The deduction that I propose guarantees parental choice. They could choose a professional day care center, a church affiliated center, or care provided by grandma, or even a mom or dad who decide to stay at home instead of entering the work force. A tax deduction for other individuals who are dependents would encourage families to take care of their older parents, as well as other handicapped family members instead of institutionalizing them. All too often today, families are finding it economically unfeasible to take care of their older parents and relatives. We, the Members of Congress, must stop penalizing the great American family and its proud heritage. We must take the time to allow the family to be reunited.

Many of the legislative proposals to date on the child care issue, have not addressed the real issue; how do we provide the best child care? Throwing billions of dollars at the problem, toward grants that expand or create child-care centers, and drafting minimum federal health and safety standards for day-care centers, is not the answer.

Telling parents that they can use their child care tax money for day care centers, as long as those centers meet with federal standards or are not church-affiliated, is not the solution either. What we must not do is drag legislation through Congress or the courts. That, without a doubt, will heighten the controversy on the separation of church and state. Organizations that oppose spending tax dollars on church child care will insist that doing so violates the First Amendment's ban on state "establishment" of religion. They will challenge in court any law allowing funds to go to church-based centers.

Our children are too important to allow the federal government to enact legislation that instead of addressing the child care issue, centers on the First Amendment and Constitutional separation of church and state. Roughly one-third of the current day care children go to centers run or sponsored by churches, or to facilities leased by churches. Enactment of irresponsibly worded legislation would no doubt swamp the courts with First Amendment cases. I certainly hope that Congress' intention is to address what is best for our children, not how the First Amendment should be applied.

Many skeptics of one piece of legislation, H.R. 3660, the Act for Better Childcare Services (ABC), or the Dodd-Kildee Bill state that it promotes a trickle-down day-care policy. Most of the $2.5 billion would go to federal and state bureaucracies and to state-subsidized institutions. There is no guarantee that any of the money would go to parents with small children. They are the very ones it is supposed to be helping. Unfortunately, history shows that this type of approach leds to great escalations of costs without any improvements in service.

Further, if it is not bad enough that the funds would be wasted by government bureaucracies, H.R. 3660 would assist only a tiny fraction of young children. Most children under the age of five do not receive paid day-care. In addition, 80% of day-care providers are unlicensed and unregulated and therefore ineligible for funding under the legislation. According to the "Choice For Families With Children", a coalition of pro-family groups, less than one young child in ten would receive assistance under the ABC bill.

The coalition further states that among children under age five; 54% have mothers who are not employed, 22% are cared for by a relative while the mother works, 13% are cared for by a non-relative in an informal setting while the mother works, and only 11% attend professional group care centers of the sort directly subsidized in the ABC plan.

One reason for the shortages of day-care in the U.S. is the result of excessive government regulations. Another is the threat of astronomically costly law suits that may be brought against day care centers. If we enact legislation that demands stricter federal regulations, it is likely to actually reduce, rather than expand the supply of day-care available to American parents. Congress must be aware of this before it enacts additional regulatory measures. Furthermore, government regulation of day care promotes large scale professional organizations and discourages competition from smaller neighborhood facilities. In addition, there is no evidence that large, regulated day-care centers are safer than non-licensed neighborhood providers of day-care. One must not forget that most of the incidents of sexual abuse that have been reported by the press occurred in large, professional day-care centers. Home care by the mother, care by relatives, and care in small neighborhood day care facilities is best for the physical and mental health of children.

If legislation is not carefully drafted, Congress will make a mockery out of our current child care system. Do people really want Congress telling parents what they think is in the best interest for their children? Whatever happened to the parents' right to decide what they believe to be in the best interest of their own children?

It is essential that the central issue not be lost in the debate on the merits of the various proposals extant. What is missing in those measures is provision of aid directly to the family. But most importantly, preserving the family's right to choose what they believe is best.

In conclusion, the time has come for the Members of Congress to acknowledge that with the best of intentions, we have nevertheless failed to support the greatest institution in America, the Great American Family. Therefore, I introduced H.R. 4219, The Family Care Package of 1988, that is designed to provide financial advantages for families to care for themselves and their loved ones. Perhaps more importantly, it provides incentives for restoration of three generations under the same roof. We in Congress have been short-sighted on the issues that promote family. We want to help, but most of the funds we appropriate are consumed by bureaucracy rather than targeted beneficiaries. When we provide funds to the States for child-care, the result is the creation of another state program with burdens for the taxpayer, and minimal assistance to families.

Too often, Members of Congress fall short-sighted on the issues that promote family. We want to help, but inevitably we appropriate funds that result in a bureaucratic mess. When we provide funds to the States for child-care, the result is the creation of another state program with no real help to the taxpayer. H.R. 4219 is designed to remove the third party from the process and leave the family not only better off but with the means to make decisions on child-care and care for the handicapped and the elderly.

Thank you for this opportunity to testify.

Testimony Submitted by the Honorable Richard T. Schulze (R-PA)

to the Public Assistance and Unemployment Compensation Subcommittee

We are now poised at the start of a great national debate on day care that can be expected to last well into the next session of Congress. As shown on the editorial pages of the nation's newspapers, politicians, advocates, and analysts are now jostling each other for places at the starting line.

Perhaps it is wise to begin with principles. In this way, we can clarify our values at the outset and bring some order to the debate.

Here are four principles that I think should shape our deliberations on federal day care policy. First, whatever benefits we provide working families, all families and not just those in which both parents work, should be included. Under current law, the single biggest federal expenditure for child care is the dependent care tax credit. By 1990 we will spend over $4 billion subsidizing child care through the tax code, but only families in which both parents (or single parents) work are eligible.

And yet, the Census Bureau informs us that two-parent families in which both parents work have average incomes of $36,000. By contrast, two-parent families with one working parent have incomes of only $24,000. When first confronted by these numbers recently, I could not understand why families with incomes of $36,000 were eligible for a federal subsidy while families with $24,000 were not. I still don't.

There are many reasons mothers in two-parent families might decide not to work. Some parents think child care for young children is a bad thing. They think babies in day care get sick more often, miss their parents, are more aggressive when they get to school, and even have problems developing trust in their own parents. On every one of these claims, at least some of the nation's leading child development experts agree. So doesn't it seem reasonable to keep government policy neutral and not do anything to either encourage or discourage both parents in two parent families from putting their children in day care?

This neutrality seems especially justified when we reflect for a moment on those mothers staying home with their young children. Clearly their families are making a financial sacrifice that averages, according to Census figures, about $12,000 per year. But even more important, economic studies show us that the financial sacrifice will continue many years after these mothers reenter the labor force because their uneven pattern of labor force participation and their lack of experience will reduce the wage they are able to attract.

The second principle is that our child care policy should maximize family choice. If our nation is to have vital families, we must stop removing more and more responsibilities from parents. At every level of government, we too often send parents the message: "Don't worry, government is taking care of that." Education, driver training, sex education, birth control, moral development, health, housing, food, economic support during retirement--all are now widely accepted to be a government responsibility for at least some citizens.

Let's draw a line at child care for preschool children and send a loud message to parents. Let's tell them they are responsible for deciding whether to use child care, and if so, what type of care to use. Further, for those who decide to use care, let's tell them they are responsible for insuring that it is of adequate quality. Only in this way can we avoid the continued expropriation of family integrity by government interference.

The third principle we should follow is minimum government interference in the day care market. We know that markets don't always work, but given the success of our free-market system, we should at least require good evidence that a market is failing before we initiate government interference. If we don't follow this simple principle, we might wind up doing more harm than good.

In the case at hand, claims about the day care market are flying fast and furious on the nation's editorial pages and in Congressional testimony. According to the press and advocates, we have a crisis on our hands: there is a shortage of day care, lots of children are being harmed by poor quality care, and available care is too expensive for most families.

This is not the place to consider each of these claims in detail, but I do notice an apparent discrepancy between what I read in the press and what the nation's scholars, the Census Bureau, and government studies tell us.

For example, the day care market has expanded rapidly in recent years as demand has increased. The number of day care centers increased from less than 20,000 to more than 40,000 with spaces of less than one million to more than two million between 1976 and 1986. Meanwhile, the average inflation adjusted price of care in centers did not increase at all. In fact, the average cost of all types of care today is about what it was in 1975. If we are undergoing a crisis of supply, doesn't it make sense to think that prices would increase?

As for the issue of quality, I too am saddened and distressed by the many terrible anecdotes about victimized children in day care. But I have learned that anecdotes often make bad policy. As the Congress tries to examine more reliable sources of information about the issue of quality, Members will come across the recent national study done by researchers at the University of New Hampshire showing that kids are at greater risk of sexual abuse at home than they are in day care. They will also be intrigued by a 1981 federally-sponsored study, apparently the biggest and most thorough study of nonregulated care to date, which concluded that such care was "stable, warm and stimulating", that it "caters successfully to the developmentally appropriate needs of children", and that parents "report it satisfactorily meets their child care needs". Again, I have yet to find reliable sources of information that the day care market is failing because the quality of care is bad and hurts children.

On the whole, most information indicates that the day care market is doing pretty well. Congress must keep a watchful eye on the market because the continued increases in demand and the disturbing frequency of anecdotes about harm coming to children require vigilance. But until someone produces better evidence of market failure than we currently have, government should not attempt massive interference.

The final principle of federal child care policy is equity. The arguments for government helping our poorest citizens the most are legion. That equity is a traditional federal role should carry some weight; that budget deficits require us to target our resources on those in greatest need adds additional weight to the case for equity; and that poor and low-income families are struggling hardest to make ends meet makes the case nearly unassailable that out policies should favor low-income families.

Where will these four principles lead us? Though at this early stage in the debate our final destination is murky, these principles seem to lead us away from grant programs and in the direction of policies grounded in the tax code. Grant programs have several inherent defects. In particular, they constitute an overt interference in the market, they go only to families actually using care (and not families with nonworking mothers), and the regulations that inevitably accompany grants may prove a bureaucratic nightmare and would almost certainly raise prices for everybody.

By contrast, using tax credits allows us to provide additional funds to all families rearing young children, to completely avoid interference in the family and minimize interference in the day care market, to emphasize the message that families are responsible for their own child care decisions, and, by making the tax breaks refundable, to give substantial relief to poor and low-income citizens who work.

Congress is once again poised for action on a significant social issue. This time, we should be led by recent experience to understand that there is every possibility that our actions could produce at least as much harm as good. Thus, participants in the child care debate should undertake the hard thinking necessary to bring proposals into line with principles, and the equally difficult enterprise of changing our course when data and information show our assumptions to be incorrect or our recommended policies to be unnecessary or worse.

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